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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Vice Chairman, Subcommittee On International Trade, Finance, And Security Economics, Joint Economic Committee Congress Of The United States

U.S. Security And Military Assistance: Programs And Related Activities--An Update

This report provides information and annual statistics on security assistance and foreign military sales programs and related activities between fiscal years 1982 and 1985. It updates a 1982 GAO report which contained similar information for fiscal years 1977 through 1982.

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GAO/NSIAD-85-158
SEPTEMBER 30, 1985

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-207575

The Honorable William Proxmire
Vice Chairman, Subcommittee on
International Trade, Finance, and
Security Economics
Joint Economic Committee
Congress of the United States

Dear Mr. Vice Chairman:

As you requested in your May 29, 1985 letter, this report updates GAO's 1982 report entitled U.S. Security and Military Assistance: Programs and Related Activities (GAO/ID-82-40, June 1, 1982). Our 1982 report, also prepared at your request, provided information on the annual costs for security and military assistance during fiscal years 1977 through 1982. This report provides similar information for fiscal year 1982 through fiscal year 1985. For the most part, the 1985 data is estimated or the latest available.

Appendix II contains information on the five major programs identified as security assistance in the administration's budget proposals--(1) foreign military sales financing, (2) grant military assistance, (3) grant international military education and training, (4) economic support funds, and (5) peacekeeping operations. Appendix II also details the amount of foreign military sales credits which have been forgiven (payment waived) and the status of the Guaranty Reserve Fund established to back military loans made to foreign governments.

Appendix III includes information on a number of activities which are related to security and military assistance. Specific activities discussed are cash foreign military sales transactions, the special defense acquisition fund, leases and loans of military equipment to foreign nations, sale of U.S. Navy ships to foreign governments, sales of excess defense articles, stockpiling of defense articles for foreign governments, construction costs for overseas bases, and the antiterrorism assistance program. Appendix III also contains information on Department of Defense costs associated with managing its overseas military or security assistance programs, such as costs to staff and operate military assistance and liaison groups and offices.

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As in our 1982 report, this report includes information on financial arrangements used to facilitate the sale of military equipment (see app. IV); activities which help develop foreign economies and defense industries (see app. V); and the top 25 companies supplying military equipment through foreign military sales (see app. VI). In addition, appendix VII lists our previous reports concerning security assistance and foreign military sales.

In gathering the 1982-85 information for use in this report, we found that the agencies had changed some of the 1977-82 data presented in our earlier report. Corrections of data are done routinely as more accurate and complete data become available. We have presented some of the data from earlier years--when it was readily available or when the change was important to accurately understand trends. In most instances, the changes were relatively insignificant.

The data were developed from records of the Departments of Defense and State, the Agency for International Development, and the Export-Import Bank of the United States and information provided by officials of these agencies. Due to the volume of data, we did not attempt to verify the accuracy of the information provided by these agencies (to do so would have required an inordinate amount of work). Where possible, however, we did check data against several sources and followed up on major discrepancies. The data are reported in nominal ("then year") dollars, and do not reflect the effect that changes in U.S. price levels or in the value of the dollar may have had on the purchasing power of U.S. assistance.

As requested by your office, we did not obtain comments on the contents of this report, but we did discuss various aspects of the report with agency officials as we compiled the information. Our work was performed in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the cognizant committees and agencies and other interested parties.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

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ABBREVIATIONS

DOD	Department of Defense
DSAA	Defense Security Assistance Agency
FMS	Foreign Military Sales
FY	fiscal year
GAO	General Accounting Office
MAP	Military Assistance Program
NATO	North Atlantic Treaty Organization

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May 29, 1985

The Honorable Charles A. Bowsher
Comptroller General of the
United States
General Accounting Office
General Accounting Office Building
441 G Street
Washington, D.C. 20548

Dear Mr. Bowsher:

You provided me with a report in 1982 on the military aide programs. This report, entitled "U.S. Security and Military Assistance: Programs and Related Activities" (GAO/ID-82-40), summarized in tabular form the many types of military assistance programs. I am requesting that the 1982 report be updated so as to provide a similar overview of military assistance.

I would like you to provide tables showing annual costs for each of the military aide and security-related programs, including grants, loans, sales, leases, commercial sales, and any other governmental or private activities. The report should cover each of the Fiscal Years 1977 through 1984, together with estimates for 1985. As in the earlier report, I would like the annual totals to contain breakdowns by individual country recipients. I would also like to have a breakdown of the 25 largest private firms engaged in supplying military products and services used in governmental or commercial transfers.

As this is to be an update of a 1982 report, I would hope that it could be completed in a reasonably short time, say by October 1, 1985.

Please contact Richard Kaufman, General Counsel of the Joint Economic Committee, for any further information regarding this request.

Sincerely,

William Proxmire
Vice Chairman
Subcommittee on International Trade,
Finance, and Security Economics

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SECURITY ASSISTANCE PROGRAMS

The five major security assistance programs through which the United States provides defense articles, military training, and other assistance and defense-related services to eligible foreign countries are the Foreign Military Sales (FMS) Financing Program, the Economic Support Fund Program, the Military Assistance Program (MAP), the International Military Education and Training Program, and the Peacekeeping Operations Program. The FMS Financing Program is authorized under the Arms Export Control Act (22 U.S.C. § 2751 et. seq.). The other four programs are authorized by the Foreign Assistance Act of 1961, as amended (22 U.S.C. § 2151 et. seq.).

On an annual basis, the executive branch submits to the Congress a program description, along with recommended program levels for each of the major programs. This appendix briefly describes each program and details annual expenditures (estimated in the case of fiscal year 1985) by country. This appendix also discusses repayments of FMS loans and the status of the Guaranty Reserve Fund.

FMS FINANCING PROGRAM

Sections 23 and 24 of the Arms Export Control Act authorize the President to help finance the purchase of defense articles and services by friendly foreign governments and international organizations. Over its history the FMS Financing Program has provided assistance through two types of loans--direct and guaranteed. Under direct loans, the Department of Defense (DOD) finances procurement of defense articles out of funds specifically appropriated for that purpose and thus are "on-budget." Guaranteed loans, on the other hand, do not require full appropriations and were primarily "off-budget." These loans are financed through the Department of the Treasury's Federal Financing Bank, which obtains funds through borrowing and are guaranteed by the Guaranty Reserve Fund, a special reserve established by Congress for that purpose.

Direct loans were used from 1968 until the mid-1970's. Starting in 1975, guaranteed loans became the predominant type of loan, with the exception of continued direct loans to Egypt and Israel (and a small amount to Sudan in fiscal year 1982). In fiscal year 1985, the situation reversed. Starting in that year, all new FMS loans were put on-budget, and thus were direct loans.

As we emphasized in a 1983 report,[1] the shift to on-budget direct loans has two major advantages: it more accurately

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[1] Unrealistic Use of Loans to Support Foreign Military Sales (GAO/ID-83-5, Jan. 19, 1983).

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APPENDIX II

reflects the total borrowing for foreign military assistance, and it provides greater flexibility to issue concessional interest rate loans if appropriate. Because guaranteed loans were financed with funds borrowed by the Treasury at the high rates of interest prevailing during the period of borrowing activity, the United States was required to charge recipients high market interest rates. We questioned whether the FMS loan program was being conducted in a realistic manner because some countries could not afford the high interest rates being charged and were experiencing difficulties in making required payments. Since then, various steps have been taken to provide low (concessional) interest rates on FMS loans and to provide more military assistance on a grant (no cost) basis.

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Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Total	$24,850,790	$3,883,500	$5,106,500	$5,716,250	$39,557,040	$4,939,500[a]
Payment waived	4,950,000	800,000	1,175,000	1,315,000	8,240,000	2,575,000
DOD direct	3,490,419	-	-	-	3,490,419	2,364,500
DOD guaranty	16,410,371	3,083,500	3,931,500	4,401,250	27,826,621	-
East Asia and Pacific	2,848,688	340,700	340,000	429,000	3,958,388	366,500
DOD direct	451,588	-	-	-	451,588	366,500
DOD guaranty	2,397,100	340,700	340,000	429,000	3,506,800	-
Australia	115,586	-	-	-	115,586	-
DOD direct	115,586	-	-	-	115,586	-
Indonesia	186,700	40,000	25,000	45,000	296,700	32,500[a]
DOD direct	3,500	-	-	-	3,500	32,500
DOD guaranty	183,200	40,000	25,000	45,000	293,200	-
Japan	34,772	-	-	-	34,722	-
DOD direct	34,772	-	-	-	34,722	-
Korea (Seoul)	1,374,883	166,000	185,000	230,000	1,955,883	220,000
DOD direct	61,700	-	-	-	61,700	220,000
DOD guaranty	1,313,183	166,000	185,000	230,000	1,894,183	-
Malaysia	152,910	10,000	4,000	10,000	176,910	4,000
DOD direct	38,071	-	-	-	38,071	4,000
DOD guaranty	114,838	10,000	4,000	10,000	138,838	-
New Zealand	1,492	-	-	-	1,492	-
DOD direct	1,492	-	-	-	1,492	-
Philippines	194,100	50,000	50,000	50,000	344,100	15,000[a]
DOD direct	8,600	-	-	-	8,600	15,000
DOD guaranty	185,500	50,000	50,000	50,000	335,500	-

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Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Singapore	$ 17,221	$ -	$ -	$ -	$ 17,221	$ -
DOD guaranty	17,221	-	-	-	17,221	-
Taiwan	547,726	-	-	-	547,726	-
DOD direct	187,886	-	-	-	187,866	-
DOD guaranty	359,860	-	-	-	359,860	-
Thailand	223,299	74,700	76,000	94,000	467,999	95,000[a]
DOD direct	-	-	-	-	-	95,000
DOD guaranty	223,299	74,700	76,000	94,000	467,999	-
Near East and South Asia	17,424,021	2,531,900	3,632,500	3,665,750	27,254,171	3,088,000
Payment waived	4,950,000	750,000	1,175,000	1,315,000	8,190,000	2,575,000
DOD direct	2,082,649	-	-	-	2,082,649	513,000
DOD guaranty	10,391,372	1,781,900	2,457,500	2,350,750	16,981,522	-
Egypt	2,050,000	900,000	1,325,000	1,365,000	5,640,000	1,175,000
Payment waived (direct loan)	-	200,000	425,000	465,000	1,090,000	1,175,000
DOD guaranty	2,050,000	700,000	900,000	900,000	4,550,000	-
India	27,310	-	-	-	27,310	-
DOD direct	27,310	-	-	-	27,310	-
Iran	496,407	-	-	-	496,407	-
DOD direct	175,705	-	-	-	175,705	-
DOD guaranty	320,701	-	-	-	320,701	-
Israel	13,504,244	1,400,000	1,700,000	1,700,000	18,304,244	1,400,000
Payment waived (direct loan)	4,950,000	550,000	750,000	850,000	7,100,000	1,400,000
DOD direct	1,667,103	-	-	-	1,667,103	-
DOD guaranty	6,887,142	850,000	950,000	850,000	9,537,142	-

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Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Jordan	$484,940	$54,900	$ 51,500	$115,000	$706,340	$ 90,000[a]
DOD direct	55,703	-	-	-	55,703	90,000
DOD guaranty	429,237	54,900	51,500	115,000	650,637	-
Lebanon	118,668	10,000	100,000	15,000	243,668	5,000
DOD direct	9,168	-	-	-	9,168	5,000
DOD guaranty	109,500	10,000	100,000	15,000	234,500	-
Morocco	292,830	30,000	75,000	38,750	436,580	3,000[a]
DOD direct	68,830	-	-	-	68,830	3,000
DOD guaranty	224,000	30,000	75,000	38,750	367,750	-
Oman	50,000	30,000	30,000	40,000	150,000	40,000
DOD direct	-	-	-	-	-	40,000
DOD guaranty	50,000	30,000	30,000	40,000	150,000	-
Pakistan	7,633	-	260,000	300,000	567,633	325,000
DOD direct	5,786	-	-	-	5,786	325,000
DOD guaranty	1,847	-	260,000	300,000	561,847	-
Saudi Arabia	254,167	-	-	-	254,167	-
DOD direct	65,222	-	-	-	65,222	-
DOD guaranty	188,945	-	-	-	188,945	-
Sri Lanka	308	2,000	-	-	2,308	-
DOD direct	308	-	-	-	308	-
DOD guaranty	-	2,000	-	-	2,000	-
Tunisia	137,514	95,000	87,000	92,000	411,514	50,000[a]
DOD direct	7,514	-	-	-	7,514	50,000
DOD guaranty	130,000	95,000	87,000	92,000	404,000	-
Yemen (Sanaa)	-	10,000	4,000	-	14,000	-
DOD guaranty	-	10,000	4,000	-	14,000	-

APPENDIX II

Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Europe and Canada	$3,122,049	$793,000	$1,022,500	$1,530,000	$6,467,549	$1,440,000
DOD direct	388,550	-	-	-	388,549	1,440,000
DOD guaranty	2,733,500	793,000	1,022,500	1,530,000	6,079,000	-
Austria	15,713	-	-	-	15,713	-
DOD direct	15,713	-	-	-	15,713	-
Belgium	7,793	-	-	-	7,793	-
DOD direct	7,793	-	-	-	7,793	-
France	80,392	-	-	-	80,392	-
DOD direct	80,392	-	-	-	80,392	-
Greece	1,174,100	280,000	280,000	500,000	2,234,100	500,000[a]
DOD direct	158,500	-	-	-	158,500	500,000
DOD guaranty	1,015,600	280,000	280,000	500,000	2,075,600	-
Italy	292	-	-	-	292	-
DOD direct	292	-	-	-	292	-
Netherlands	2,200	-	-	-	2,200	-
DOD direct	2,200	-	-	-	2,200	-
Portugal	-	45,000	52,500	45,000	142,500	55,000
DOD direct	-	-	-	-	-	55,000
DOD guaranty	-	45,000	52,500	45,000	142,500	-
Spain	602,300	125,000	400,000	400,000	1,527,300	400,000
DOD direct	2,300	-	-	-	2,300	400,000
DOD guaranty	600,000	125,000	400,000	400,000	1,525,000	-
Turkey	1,237,871	343,000	290,000	585,000	2,455,871	485,000[a]
DOD direct	119,971	-	-	-	119,971	485,000[a]
DOD guaranty	1,117,900	343,000	290,000	585,000	2,335,900	-

APPENDIX II

Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Yugoslavia	$ 1,388	$ -	$ -	$ -	$ 1,388	$ -
DOD direct	1,388	-	-	-	1,388	-
Africa	422,990	153,100	37,700	25,000	638,791	10,000
Payment waived	-	50,000	-	-	50,000	-
DOD direct	134,734	-	-	-	134,734	10,000
DOD guaranty	288,256	103,100	37,700	25,000	454,056	-
Botswana	500	500	5,000	7,000	13,000	5,000[a]
DOD direct	-	-	-	-	-	5,000
DOD guaranty	500	500	5,000	7,000	13,000	-
Cameroon	12,400	1,500	2,500	5,000	21,400	5,000[a]
DOD direct	-	-	-	-	-	5,000
DOD guaranty	12,400	1,500	2,500	5,000	21,400	-
Ethiopia	36,000	-	-	-	36,000	-
DOD direct	36,000	-	-	-	36,000	-
Gabon	8,600	2,600	1,000	3,000	15,200	-
DOD direct	2,000	-	-	-	2,000	-
DOD guaranty	6,600	2,600	1,000	3,000	13,200	-
Kenya	113,000	22,000	10,000	10,000	155,000	-
DOD guaranty	113,000	22,000	10,000	10,000	155,000	-
Liberia	15,921	7,000	6,000	-	28,921	-
DOD direct	4,851	-	-	-	4,851	-
DOD guaranty	11,070	7,000	6,000	-	24,070	-
Mali	48	-	-	-	48	-
DOD direct	48	-	-	-	48	-
Niger	2,300	2,000	1,200	-	5,500	-
DOD guaranty	2,300	2,000	1,200	-	5,500	-

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APPENDIX II

Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Nigeria	$ 335	$ -	$ -	$ -	$ 335	$ -
DOD direct	335	-	-	-	335	-
Rwanda	1,500	-	-	-	1,500	-
DOD guaranty	1,500	-	-	-	1,500	-
Senegal	8,000	-	-	-	8,000	-
DOD guaranty	8,000	-	-	-	8,000	-
Somalia	40,000	10,000	10,000	-	60,000	-
DOD guaranty	40,000	10,000	10,000	-	60,000	-
Sudan	61,327	100,000	-	-	161,327	-
Payment waived (direct loan)	-	50,000	-	-	50,000	-
DOD guaranty	61,327	50,000	-	-	111,327	-
Zaire	123,059	7,500	2,000	-	132,559	-
DOD direct	91,500	-	-	-	91,500	-
DOD guaranty	31,559	7,500	2,000	-	41,059	-
American Republics	1,009,931	64,800	73,800	66,500	1,215,032	35,000
DOD direct	409,788	-	-	-	409,789	35,000
DOD guaranty	600,143	64,800	73,800	66,500	805,243	-
Argentina	175,879	-	-	-	175,879	-
DOD direct	63,240	-	-	-	63,240	-
DOD guaranty	112,039	-	-	-	112,639	-
Bolivia	23,000	-	-	-	23,000	-
DOD direct	8,000	-	-	-	8,000	-
DOD guaranty	15,000	-	-	-	15,000	-
Brazil	264,618	-	-	-	264,617	-
DOD direct	111,303	-	-	-	111,303	-
DOD guaranty	153,315	-	-	-	153,315	-

APPENDIX II

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Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Chile	$ 62,524	$ -	$ -	$ -	$ 62,524	$ -
DOD direct	58,490	-	-	-	58,490	-
DOD guaranty	4,034	-	-	-	4,034	-
Colombia	105,323	10,000	-	24,500	139,823	8,000[a]
DOD direct	22,223	-	-	-	22,223	8,000
DOD guaranty	83,100	10,000	-	24,500	117,600	-
Costa Rica	5,000	-	-	-	5,000	-
DOD guaranty	5,000	-	-	-	5,000	-
Dominican Republic	9,198	4,000	5,000	2,500	20,698	-
DOD direct	500	-	-	-	500	-
DOD guaranty	8,698	4,000	5,000	2,500	20,198	-
Ecuador	42,636	4,500	4,000	6,000	57,136	4,000[a]
DOD direct	638	-	-	-	638	4,000
DOD guaranty	41,998	4,500	4,000	6,000	56,498	-
El Salvador	19,073	16,500	46,500	18,500	100,573	15,000[a]
DOD direct	3,373	-	-	-	3,373	15,000
DOD guaranty	15,700	16,500	46,500	18,500	97,200	-
Guatemala	10,719	-	-	-	10,719	-
DOD direct	9,327	-	-	-	9,327	-
DOD guaranty	1,391	-	-	-	1,391	-
Haiti	1,500	300	300	-	2,100	-
DOD guaranty	1,500	300	300	-	2,100	-
Honduras	24,430	19,000	9,000	-	52,430	-
DOD direct	3,000	-	-	-	3,000	-
DOD guaranty	21,430	19,000	9,000	-	49,430	-

APPENDIX II

Table II.1: Foreign Military Sales Financing Program FYs 1950 - 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Jamaica	$ 1,587	$1,000	$ -	$ -	$ 2,587	$ -
DOD guaranty	1,587	1,000	-	-	2,587	-
Mexico	4,298	-	-	-	4,298	-
DOD direct	4,298	-	-	-	4,298	-
Nicaragua	8,000	-	-	-	8,000	-
DOD guaranty	8,000	-	-	-	8,000	-
Panama	3,500	5,000	5,000	5,000	18,500	-
DOD guaranty	3,500	5,000	5,000	5,000	18,500	-
Paraguay	707	-	-	-	707	-
DOD direct	318	-	-	-	318	-
DOD guaranty	389	-	-	-	389	-
Peru	105,040	4,500	4,000	10,000	123,540	8,000[a]
DOD direct	20,978	-	-	-	20,978	8,000
DOD guaranty	84,062	4,500	4,000	10,000	102,562	-
Uruguay	18,349	-	-	-	18,349	-
DOD direct	8,349	-	-	-	8,349	-
DOD guaranty	10,000	-	-	-	10,000	-
Venezuela	124,551	-	-	-	124,551	-
DOD direct	95,751	-	-	-	95,751	-
DOD guaranty	28,800	-	-	-	28,800	-
International organizations	23,110	-	-	-	23,110	-
DOD direct	23,110	-	-	-	23,110	-

[a]Includes direct loans at concessional interest rates. Of the $4.9 billion allocated, $697.5 million is at concessional rates.

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Note: Totals may not add due to rounding.

Sources: 1. DOD's Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts as of September 30, 1984.

2. DOD Congressional Presentation on Security Assistance Programs.

APPENDIX II

Forgiven loans

The FMS Financing Program requires repayment by the recipient foreign governments for loans received. However, the largest recipients of FMS loans--Israel and Egypt--have increasingly had their loan repayments waived or forgiven. Because repayment is not required, these "loans" are essentially grants.

Together, Israel and Egypt account for about two-thirds of the total debt owed the U.S. government on outstanding FMS loans. As the following table shows, between 1982 and 1984, Israel received $4.8 billion in FMS loans, of which about $2.1 billion was forgiven. During the same period, Egypt received about $3.6 billion in FMS loans, of which about $1.1 billion was forgiven. Total FMS loans provided these two countries in fiscal year 1985 have been forgiven.

Table II.2: Forgiven FMS Loans FYs 1982 to 1985

	FY 1982	FY 1983	FY 1984	FY 1982 to FY 1984	Estimated FY 1985
	(millions)				
Egypt					
Total FMS loans	$ 900	$1,325	$1,365	$3,590	$1,175
Amount forgiven	200	425	465	1,090	1,175
Israel					
Total FMS loans	1,400	1,700	1,700	4,800	1,400
Amounts forgiven	550	750	850	2,150	1,400
Sudan					
Total FMS loans	100	-	-	100	-
Amount forgiven	50	-	-	50	-

Sources: 1. DOD's Foreign Military Sales, Foreign Military construction Sales, and Military Assistance Facts as of September 30, 1984.

2. DOD Congressional Presentation on Security Assistance Programs.

Guaranty Reserve Fund

The Guaranty Reserve Fund, a revolving fund administered by DOD, is used to guaranty FMS loans extended by the Federal Financing Bank. Missed payments from FMS customers with guaranteed loans are withdrawn from the Guaranty Reserve Fund when the lender demands payment for defaults that are 10 days overdue. When the foreign government makes payment it is redeposited to the reserve fund.

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Before 1980, the reserve fund's balance was kept at 10 percent (25 percent before July 1, 1974) of its authorized loans through annual appropriations. This approach allowed the reserve fund's balance to rise proportionately to its liability. In December 1980, the Congress eliminated the 10-percent requirement. Since that time the fund's balance has decreased each year, while at the same time cumulative liability has increased.

Table II.3: Guaranty Reserve Fund FYs 1977 to 1986

As of fiscal year end	Cash balance of funds	Cumulative contingent liability	Percent
	(millions)		
1977	$ 389	$ 3,894	10.0
1978	548	5,478	10.0
1979	1,065	10,643	10.0
1980	1,170[a]	12,093	9.6
1981	1,060	13,233	8.0
1982	919	15,662	5.9
1983	800	18,871	4.2
1984	552	22,556	2.4
1985[b]	422[c]	21,849	1.9
1986[b]	144	21,065	.7

[a]The balance of the fund after all outlays as of December 16, 1980. The total represented 25 percent of outstanding loans issued in FY 1974 and prior and 10 percent of outstanding loans issued subsequent to 1974. After December 16, 1980, Public Law 96-533 was passed, and no new appropriations were authorized until fiscal year 1985. See footnote c below.

[b]Estimated.

[c]The administration requested an increase of $274 million in the funding level of the reserve fund, and an increase of $109 million was appropriated. The amount of $422 million for 1985 includes the amount appropriated.

Source: DOD Congressional Presentation on Security Assistance Programs.

The administration did not ask for an appropriation to the reserve fund for fiscal year 1986 but instead proposed permanent authorization and appropriation authority. Subsequently, the Congress rejected the administration's proposal. The International Security and Development Cooperation Act of 1985 authorized the use of credits established under 22 U.S.C. 2763 to pay claims under guaranteed loans for defaults and

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rescheduling of debt, to the extent the reserve fund's cash balance is inadequate. The act also requires a report on the history of U.S. foreign military sales financing, under both the Foreign Assistance Act of 1961 and the Arms Export Control Act, with recommendations for replenishing the reserve fund. The report is due in late October 1985, 90 days after enactment.

Defaults and reschedulings

Since the mid-1970's through fiscal year 1984, the U.S. government has made almost $1.7 billion in payments due to nonpayment on scheduled guaranteed loans. Of this amount, foreign governments have repaid the Guaranty Reserve Fund about $920 million, leaving a balance due the fund of about $775 million as of September 30, 1984.

Table II.4 shows the year-end outstanding balances for Defense Security Assistance Agency (DSAA) payments made on behalf of foreign governments which have failed to make payments on their guaranteed loans when due.

Table II.4: Amounts Foreign Governments Owe the Guaranty Reserve Fund FYs 1981 to 1984

Country	Fiscal year-end outstanding balances			
	1981	1982	1983	1984
	(thousands)			
Ecuador	$ -	$ -	$ 3,548	$ 10,141
Egypt	-	-	-	175,273
Jordan	-	22,435	38,754	61,921
Morocco	6,977	28,774	41,491	77,295
Peru	8,872	7,068	7,068	16,735
Sudan	1,092	8,505	23,405	38,398
Turkey	233,813	320,233	387,084	359,382
Others	15,499	21,286	25,659	35,813
Total	$266,253	$408,301	$527,009	$774,958

Source: DSAA.

DSAA is required to report quarterly to the Treasury on the status of loan repayments. As of June 30, 1985, 22 countries were in default on FMS loans totaling $595 million, of which almost $436 million was past due by over 90 days.

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Table II.5: Overdue Guaranty and Direct Loans As of June 30, 1985

Country	Due and unpaid (thousands)
Bolivia	$ 354
Cameroon	4
Dominican Republic	2,563
Ecuador	7,186
Egypt	413,189
El Salvador	11,931
Ethiopia	4,572
Haiti	37
Jamaica	134
Jordan	71,354
Kenya	505
Liberia	1,351
Morocco	36,843
Niger	19
Nicaragua	389
Oman	11
Peru	8,971
Philippines	17,434
Senegal	1,259
Sudan	10,027
Turkey	80
Zaire	7,042
Total	$595,255

Note: A country's default status is dynamic and could change on a daily basis.

Source: DSAA.

Few countries have remained in default in excess of 12 months. The Foreign Assistance and Related Programs Appropriations Act, 1982, contained a legislative restriction (known as the Brooke Amendment) terminating assistance to a foreign government in default in payment of any foreign assistance loans for longer than one calendar year. Currently, Ethiopia, Nicaragua, and Peru are under the Brooke Amendment sanction.

Rescheduled loans

According to Department of State officials responsible for carrying out U.S. policy on rescheduling debt, the United States reschedules a debt if scheduled repayments cannot be made and a foreign government has accepted an International Monetary Fund arrangement for economic reform. In exchange for International Monetary Fund assistance, the country accepting the arrangement

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agrees to take specific actions intended to stabilize the country's economy and enable it to meet its debt obligations.

During the period 1978 through June 30, 1985, $841.3 million was rescheduled (see table II.6).

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Table II.6: Rescheduled Direct and Guaranteed Loans FY 1978 to June 30, 1985[a]

Country	FY 1978 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1985 to June 30, 1985	Total	Repayments[b]	Rescheduled balance due
	-----Status at June 30, 1985-----							
	(thousands)							
Ecuador	$ -	$ -	$ -	$ 6,579	$ -	$ 6,579	$ 302	$ 6,277
Jamaica	-	-	-	-	277	277	-	277
Liberia	1,451	473	1,551	3,594	2,515	9,584	293	9,291
Morocco	-	-	-	77,446	5,884	83,330	79	83,251
Niger	-	-	-	579	529	1,108	-	1,108
Peru	9,396	-	-	9,969	-	19,365	5,464	13,901
Senegal	-	-	2,767	1,283	-	4,050	261	3,789
Somalia	-	-	-	-	9,293	9,293	-	9,293
Sudan	-	8,019	2,149	17,835	17,306	45,309	48	45,261
Turkey[c]	352,305	119,267	97,084	-	-	568,656	134,860	433,796
Zaire[c]	31,729	14,390	-	41,371	6,301	93,791	18,878	74,913
Total	$394,881	$142,149	$103,551	$158,656	$42,105	$841,342	$160,185	$681,157

[a]No FMS loans were rescheduled in fiscal year 1977.

[b]Adjustments include repayments of rescheduled amounts and rescheduling of a rescheduling.

[c]Both Turkey and Zaire's rescheduled debt includes previously rescheduled debt.

Source: DSAA.

APPENDIX II

ECONOMIC SUPPORT FUND PROGRAM

The Economic Support Fund is authorized by the Foreign Assistance Act of 1961, as amended (ch. 4, part II). The program, administered by the Agency for International Development, is designed to promote economic or political stability in areas where the United States has special security interests and it is determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises.

Funds are made available on a loan or grant basis and can be used for a variety of purposes, including balance of payments support, financing infrastructure and other capital projects, and support for development projects which benefit the poor. Although a substantial amount of the Economic Support Fund goes for balance of payments type aid, it also provides for programs aimed at needs in health, education, agriculture, and family planning.

Funds appropriated for the Economic Support Fund are frequently earmarked for specific countries and activities. Approximately 48 percent--over $2 billion--of the fiscal year 1985 fund is designated for Egypt and Israel. Additionally, the other key elements of the FY 1985 program include expanded assistance to Central America and Caribbean countries to restore economic growth to this region; continuing efforts to stem the spread of further economic and political disruption in Africa; and advancing U.S. security and development-oriented programs in the Philippines.

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Table II.7: Economic Support Fund Program FYs 1977 to 1985

	FY 1977 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	Estimated FY 1985
	(thousands)					
Total	$10,302,417	$2,770,264	$2,972,552	$3,146,168	$19,191,401	$4,213,222
East Asia and Pacific						
Philippines	50,000	50,000	50,000	50,000	200,000	140,000
Thailand	4,000	5,000	5,800[a]	9,115[b]	23,915	5,000
Total	54,000	55,000	55,800	59,115	223,915	145,000
Near East and South Asia						
Bahrain	400	-	-	-	400	-
Egypt	3,979,050	771,000	750,000	852,949	6,352,999	815,000
Israel	3,854,000	806,000	785,000	910,000	6,355,000	1,200,000
Jordan	335,000	15,000	20,000	20,000	390,000	20,000
Lebanon	25,500[c]	6,000	9,560	27,765	68,825	78,232[d]
Middle East Regional Cooperation	7,000	11,080	12,480	14,004	44,564	15,000
Middle East Special Requirements Fund	39,150	-	-	-	39,150	-
Morocco	-	-	-	7,000	7,000	15,000
Oman	5,000	15,000	15,000	15,000	50,000	20,000
Pakistan	-	100,000	200,000	225,000	525,000	200,000
Program support & private voluntary organizations	6,951	-	-	-	6,951	-
Sinai Support Mission	11,686	-	-	-	11,686	-
Syria	260,000	-	-	-	260,000	-
Tunisia	-	5,000	5,000	1,500	11,500	20,000
Total	8,523,737	1,729,080	1,797,040	2,073,218	14,123,075	2,383,232
Europe and Canada						
Cyprus	76,500	15,000	15,000	15,000	121,500	15,000
Italy	-	-	-	10,000	10,000	-
Malta	19,000	-	-	-	19,000	-
Poland	-	5,000	-	-	5,000	10,000[e]
Portugal	430,000	20,000	20,000	40,000	510,000	80,000

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Table II.7: Economic Support Fund Program FYs 1977 to 1985 (continued)

	FY 1977 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	Estimated FY 1985
	(thousands)					
Spain	$ 31,000[f]	$ 22,000	$ 12,000	$ 12,000	$ 77,000	$ 12,000
Turkey	448,000	300,000	285,000	138,500	1,171,500	175,000
Yugoslavia	10,000	-	-	-	10,000	-
Total	1,014,500	362,000	332,000	215,500	1,924,000	292,000
Africa						
Botswana	60,030	10,984	10,000	800	$81,814	10,000
Chad	-	2,822[g]	-	3,000	5,822	5,000
Djibouti	2,000	2,000	1,986	3,000	8,986	3,500
Fund for Economic Policy Reform	-	-	-	-	-	75,000
Kenya	20,000	10,714	30,000	21,000	81,714	30,000
Lesotho	5,345	-	-	-	5,345	-
Liberia	42,200	35,000	32,000	35,000	144,200	43,000
Madagascar	-	-	-	-	-	3,000
Mauritius	-	2,000	2,000	4,000	8,000	2,000
Mozambique	-	-	-	7,000	7,000	11,000
Niger	-	-	5,000	5,000	10,000	5,000
Senegal	-	-	5,000	10,000	15,000	15,000
Seychelles	-	2,000	2,000	2,000	6,000	2,000
Somalia	5,000	20,000	21,000	35,000	81,000	30,000
Southern African Regional Requirements Fund	80,635	14,305	14,393	15,996	125,329	23,000
Sudan	90,000	100,000	82,250	120,000	392,250	114,000
Swaziland	12,666	-	-	-	12,666	-
Uganda	3,000	-	-	-	3,000	-
Zaire	29,999	-	5,000	10,000	44,999	10,457
Zambia	114,576	19,999	15,483	21,322	171,380	15,000
Zimbabwe	47,896	75,000	60,000	40,000	222,896	28,000
Total	513,347	294,824	286,112	333,118	1,427,401	424,957
American Republics						
Belize	-	-	10,000	-	10,000	14,000[e]
Central American Regional Program (ROCAP)	900	-	-	-	900	98,000[e]

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Table II.7: Economic Support Fund Program FYs 1977 to 1985 (continued)

	FY 1977 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	Estimated FY 1985
	(thousands)					
Costa Rica	$ -	$ 20,000	$157,000	$130,000[h]	$ 307,000	$160,000
Dominican Republic	-	41,000	8,000	34,000	83,000	95,000[e]
Eastern Caribbean[i]	4,000	20,000	35,000	30,820	89,820	20,000
El Salvador	54,000	115,000	140,000	120,234	429,234	285,000[e]
Grenada	-	-	-	46,967[j]	46,967	8,033
Guatemala	-	-	10,000	-	10,000	12,500
Haiti	1,000	-	10,000	5,096	16,096	5,000
Honduras	-	36,800	56,000	40,000	132,800	147,500[e]
Jamaica	52,013	90,460	59,350	55,000	256,823	70,000
LAC Regional	-	-	15,000	2,000	17,000	2,000
Nicaragua	65,699	5,100	-	-	70,799	-
Panama	-	-	-	-	-	50,000[e]
Surinam	-	500	-	-	500	-
Total	177,612	328,860	500,350	464,117	1,470,939	967,033
Inter-regional organizations						
Institute for Democracy	-	-	150	-	150	-
Inter-Regional Program Support	521	-	-	-	521	-
Oceanographic research	-	500[k]	1,100	1,100	2,700	1,000
UN Forces in Cyprus	18,700	-	-	-	18,700	-
Total	19,221	500	1,250	1,100	22,071	1,000

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[a]Includes $.8 million of the $5 million transferred from State's Migration and Refugee Account for antipiracy activities in the Gulf of Thailand.

[b]Includes $4.115 million of the $5 million transferred in FY 1983 from State's Migration and Refugee account for antipiracy activities in the Gulf of Thailand.

[c]Includes $1 million for the American University in Beirut in FY 1981.

[d]Estimated obligations from the FY 1983 no-year supplemental for Lebanon.

[e]Made available from FY 1984 supplemental funds from P.L. 98-396 as follows: for Central America--Belize $10.0 million, El Salvador $90.0 million, Honduras $72.5 million, Panama $30.0 million, and Central America Regional (ROCAP) $28.0 million; Other--Dominican Republic $50.0 million and Poland $10.0 million, for the Zablocki Clinic (of which $6.0 million was obligated through the American Schools and Hospitals Abroad).

[f]In FY 1979, $7 million was appropriated for Spain under the Peacekeeping Operations appropriation.

[g]Excludes $6.7 million transferred to Peacekeeping Operations in Chad.

[h]Includes $60.0 million made available from FY 1984 supplemental funds from P.L. 98-396.

[i]Eligible countries included in Eastern Caribbean are: Antigua, Barbados, Barbuda, Dominica, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent, and the Grenadines.

[j]Transfers of $40.0 million from the FY 1983 no-year supplemental for Lebanon and $15.0 million deobligated from the Syria pipeline were made to Grenada. Of the combined total, $46,967 million was obligated in FY 1984 and $8.033 million will be obligated in FY 1985.

[k]Funds were used for oceanographic research under a Bureau for Science and Technology energy project.

Notes: 1. Fiscal years 1977 and 1978 were funded under Security Supporting Assistance. The International Security Assistance Act of 1978 repealed the legislative authorities for Security Supporting Assistance and provided authority for the Economic Support Fund.
2. Includes FY 1982 Caribbean Basin Initiative Supplemental appropriation.

Source: Agency for International Development's Congressional Presentation.

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MILITARY ASSISTANCE PROGRAM

MAP is authorized by the Foreign Assistance Act of 1961, as amended (ch. 2, part II). MAP provides grant funding for defense articles and services. Initially, the program's purpose was to strengthen the mutual defense and collective security of the non-Communist world. MAP is now used to retain U.S. military base rights, maintain regional arms balances, encourage greater military self-reliance on the part of certain nations, and promote tangible evidence of U.S. support. It provides military aid to financially strapped countries which would have difficulty repaying loans.

When established in 1949, MAP involved loans and grants of military equipment and materials. MAP declined during the 1970's when the U.S. government began using loans as the primary means of providing military assistance. MAP funding continued to decline until fiscal year 1982, when MAP funds were made available for financing FMS cases. As the following table shows, MAP has increased steadily since fiscal year 1982.

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Table II.8: Military Assistance Program Grants FYs 1950 to 1985

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimate FY 1985
	(thousands)					
Worldwide	$54,183,155	$400,842	$436,138	$698,994	$55,719,129	$805,100
East Asia and Pacific	28,865,165	135,661	15,554	5,343	29,021,723	30,300
Burma	72,134	-	-	-	72,134	-
Indochina	708,977	-	-	-	708,977	-
Fiji	-	-	-	-	-	300
Indonesia	192,675	192	27	6	192,900	-
Japan	810,276	-	-	-	810,276	-
Kampuchea	1,177,163	-	-	-	1,177,163	-
Korea (Seoul)[a]	5,341,817	130,086	12	32	5,471,947	-
Laos[a]	1,460,076	-	-	-	1,460,076	-
Philippines[a]	605,529	751	628	293	607,201	25,000
Taiwan	2,554,647	-	-	-	2,554,647	-
Thailand[a]	1,168,018	4,633	14,888	5,012	1,192,551	5,000
Vietnam[a]	14,773,851	-	-	-	14,773,851	-
Near East and South Asia	2,167,141	1,091	39,799	52,091	2,260,122	60,000
Afghanistan	2	-	-	-	2	-
India	90,256	-	-	-	90,256	-
Iran	766,733	-	-	-	766,733	-
Iraq	45,208	-	-	-	45,208	-
Jordan	489,836	90	49	91	490,065	-
Lebanon	13,585	-	-	-	13,585	-
Libya	12,624	-	-	-	12,624	-
Morocco	29,600	-	25,000	30,000	84,600	40,000
Nepal	1,678	-	-	-	1,678	-
Pakistan	650,280	1	-	-	650,281	-
Saudi Arabia	23,868	-	-	-	23,868	-
Sri Lanka	3,167	-	-	-	3,167	-
Tunisia	40,304	*	13,750	18,000	72,054	15,000
Yemen (Sanaa)	-	1,000	1,000	4,000	6,000	5,000
Europe and Canada	18,791,656	89,373	173,931	190,370	19,245,330	285,000
Austria	96,310	-	-	-	96,310	-
Belgium	1,203,784	-	-	-	1,203,784	-
Denmark	587,274	-	-	-	587,274	-
France	4,045,066	-	-	-	4,045,066	-
Germany (Bonn)	884,774	-	-	-	884,774	-
Greece	1,673,104	1,455	74	27	1,674,660	-
Italy	2,243,742	-	-	-	2,243,742	-
Luxembourg	7,753	-	-	-	7,753	-
Netherlands	1,178,056	-	-	-	1,178,056	-
Norway	862,177	-	-	-	862,177	-
Portugal	477,655	30,058	62,989	60,211	630,913	70,000
Spain	691,101	543	331	64	692,039	-
Turkey	3,138,437	57,318	110,536	130,068	3,436,359	215,000
United Kingdom	1,012,855	-	-	-	1,012,855	-

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Table II.8: Military Assistance Program Grants FYs 1950 to 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Europe and Canada (cont'd)						
Yugoslavia	$689,570	$ -	$ -	$ -	$689,570	$ -
Africa	220,045	33,027	101,214	119,610	473,896	148,550
Benin	55	-	-	-	55	-
Burkina	57	-	-	-	57	-
Botswana	-	-	-	2,000	2,000	4,000
Cameroon	239	-	-	-	239	-
Chad	-	-	21,738	2,110	23,848	5,000
Djibouti	-	-	1,475	2,000	3,475	2,500
Ethiopia	183,006	-	-	-	183,006	-
Guinea	810	-	-	1,500	2,310	3,000
Ivory Coast	54	-	-	-	54	-
Kenya	-	10,000	8,500	12,000	30,500	20,000
Liberia[b]	6,281	5,000	6,000	12,000	29,281	12,000
Madagascar	-	-	-	-	-	2,050
Malawi	-	-	-	-	-	1,000
Mali	1,865	-	-	-	1,865	-
Mozambique	-	-	-	-	-	1,000
Niger	52	-	1,000	2,000	3,052	5,000
Senegal	2,646	-	-	2,000	4,646	3,000
Somalia	-	15,000	15,000	32,000	62,000	33,000
Sudan	1,677	22	43,001	45,000	89,700	45,000
West African Coastal	-	-	-	-	-	5,000
Zaire	23,303	3,005	4,500	7,000	37,808	7,000
American Republics	691,321	69,935	67,850	285,200	1,114,306	230,550
Argentina	34,020	-	-	-	34,020	-
Belize (UK)	-	-	-	500	500	500
Bolivia	32,567	*	-	-	32,567	3,000
Brazil	207,163	-	-	-	207,163	-
Chile	80,468	-	-	-	80,468	-
Colombia	83,161	1	-	-	83,162	-
Costa Rica	930	2,000	2,500	9,000	14,430	9,000
Cuba	8,552	-	-	-	8,552	-
Dominican Republic	21,551	1,000	-	3,150	25,701	5,000
Eastern Caribbean	-	1,000	2,100	7,000	10,100	5,000
Ecuador	31,994	-	-	-	31,994	-
El Salvador[b]	28,429	53,932	33,500	176,750	292,611	111,750
Guatemala	16,247	-	-	-	16,247	-
Haiti	2,427	-	-	300	2,727	-
Honduras	5,616	11,000	27,500	76,500	120,616	61,300
Jamaica	1,053	1,000	2,250	4,000	8,303	5,000
Mexico	7	-	-	-	7	-
Nicaragua	7,668	-	-	-	7,668	-
Panama	4,391	1	-	8,000	12,392	10,000
Paraguay	9,323	1	-	-	9,324	-

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Table II.8: Military Assistance Program Grants FYs 1950 to 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
American Republics (cont'd)						
Peru	$ 74,952	$ -	$ -	$ -	$ 74,952	$ -
Uruguay	40,770	-	-	-	40,770	-
Venezuela	33	-	-	-	33	-
Regional Military Training Center (RMTC)	-	-	-	-	-	20,000
International organizations	1,601,449	-	-	-	1,601,449	-
General and regional costs	1,846,378	71,754	37,791	46,380	2,002,303	50,700

[a]During the period FY 1966-75, grant aid funding in support of activities in Southeast Asia was a part of the regular DOD appropriation and was identified for programming purposes as Military Assistance Service Funded programs. The funds were used for providing military equipment and related services and training to those countries engaged in the hostilities in Southeast Asia, i.e., Korea, Laos, Philippines, Thailand, and Vietnam. Also included are transfers to Korea under section 3, P.L. 91-652, dated January 5, 1971, during FY 1971 and FY 1972 and section 23 of P.L. 95-384, dated September 26, 1978, as well as the transfer of ammunition to Thailand under section 24 of P.L. 96-92, dated October 29, 1979.

[b]Includes following program amounts under section 506(a) of the Foreign Assistance Act, which allows the drawdown of defense articles from DOD stocks. In FY 1981, $1.0 million for Liberia and $25.0 million for El Salvador; in FY 1982, $55 million for El Salvador.

Notes: 1. Totals may not add due to rounding.
2. * denotes less than $500.
3. The total above for fiscal years 1950 to 1981 does not agree with the total in our earlier report because DOD has restated the prior fiscal years. The restatements for fiscal years 1977 to 1981 ranged from an increase of 0.31 percent to a decrease of 7.27 percent or $700,000 to $18,169,000.

Sources: 1. DOD's Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts as of September 30, 1984.
2. DOD Congressional Presentation on Security Assistance Programs.

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Presidential drawdown authority

In addition to the regular MAP appropriation, the President has authority to provide additional grant military assistance in an emergency. Section 506 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. § 2151 et. seq.), permits the President in an emergency to provide DOD equipment from stocks and services to a foreign government or international organization. Known as the drawdown authority, it is a standing authority with a current ceiling of $75 million. Since the authority's enactment in 1961 through September 10, 1985, 13 drawdowns have been authorized, as follows:

Table II.9: 506(a) Presidential Determinations

Country	Date	Authorized drawdown (millions)
India	1/03/63	$ 55.0
MAP/Vietnam	5/15/65	75.0
MAP/Vietnam	10/21/65	300.0
Cambodia	12/24/73	200.0
Cambodia	5/13/74	50.0
Cambodia	1/10/75	75.0
Thailand	7/01/80	1.1
Liberia	12/09/80	1.0
El Salvador	1/16/81	5.0
El Salvador	3/05/81	20.0
El Salvador	2/02/82	55.0
Chad	7/19/83	10.0
Chad	8/05/83	15.0
Total		$862.1

Note: The drawdown for India was authorized but not used.

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

The International Military Education and Training program, authorized by the Foreign Assistance Act of 1961, as amended (ch. 5, part II), was established to provide instruction and training in military skills and U.S. military doctrine to foreign military and related civilian personnel on a grant basis. This training and education complement various national security and foreign policy objectives, including improved readiness, standardization of weapons, and better access to key military personnel and policymakers in foreign countries. Among the purposes of such training are to improve professional performance; to foster indigenous training capabilities by the foreign country; to promote rapport among U.S. and foreign armed forces; and to promote a better understanding of the United States, its people, and its political system.

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APPENDIX II

To achieve the objectives of the program, the U.S. military departments make available a wide range of courses in the United States and abroad, including professional military education at the war colleges, technical and maintenance training, and flight training. Under the program, DOD trained almost 6,000 foreign personnel from 78 countries in fiscal year 1984 and expects to train even more in fiscal year 1985. In addition to this grant training, almost 12,000 students were trained under DOD's FMS programs (credit and cash) in fiscal year 1984.

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Table II.10: International Military Education and Training Program FYs 1950 to 1985

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Worldwide	$1,999,513	$43,885	$48,666	$54,280	$2,146,344	$56,221
East Asia and Pacific	818,280	6,945	8,076	9,087	842,388	9,905
Burma	4,313	151	175	119	4,758	275
Fiji	-	-	61	84	145	100
Indochina	598	-	-	-	598	-
Indonesia	31,528	2,144	2,333	2,345	38,350	2,300
Japan	44,589	-	-	-	44,589	-
Kampuchea	14,603	-	-	-	14,603	-
Korea (Seoul)[a]	158,188	1,545	1,677	1,784	163,194	1,900
Laos[a]	42,814	-	-	-	42,814	-
Malaysia	4,303	491	650	881	6,325	950
Papua New Guinea	16	17	21	41	95	50
Philippines[a]	35,436	1,129	1,370	1,498	39,433	1,900
Singapore	8	47	47	55	157	50
Solomon Islands	-	-	-	26	26	30
Taiwan	103,156	-	-	-	103,156	-
Thailand[a]	76,585	1,420	1,743	2,226	81,974	2,300
Tonga	-	-	-	30	30	50
Vietnam[a]	302,142	-	-	-	302,142	-
Near East and South Asia	165,393	9,070	9,857	9,789	194,109	10,800
Afghanistan	5,616	-	-	-	5,616	-
Algeria	-	-	-	-	-	50
Bangladesh	751	161	209	268	1,389	275
Egypt	2,130	2,137	1,835	1,651	7,753	2,000
India	6,592	82	142	125	6,941	300
Iran	67,442	-	-	-	67,442	-
Iraq	1,487	-	-	-	1,487	-
Jordan	11,061	1,977	1,257	1,728	16,023	1,750
Lebanon	3,248	544	1,585	616	5,993	800
Libya	2,795	-	-	-	2,795	-
Maldives	-	-	22	23	45	25
Morocco	16,153	1,095	1,339	1,569	20,156	1,550
Nepal	561	87	75	116	839	100
Oman	13	79	84	131	307	150
Pakistan	24,546	573	781	784	26,684	900
Saudi Arabia	12,456	-	-	-	12,456	-
Sri Lanka	346	102	105	143	696	150
Syria	56	-	-	-	56	-
Tunisia	7,020	1,191	1,218	1,603	11,032	1,550
Yemen (Sanaa)	3,124	1,041	1,205	1,031	6,401	1,200

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Table II.10: International Military Education and Training Program FYs 1950 to 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Europe and Canada	$562,433	$8,849	$8,628	$10,864	$590,774	$9,765
Austria	1,468	38	47	58	1,611	60
Belgium	33,889	-	-	-	33,889	-
Denmark	30,451	-	-	-	30,451	-
Finland	311	41	45	36	433	50
France	107,987	-	-	-	107,987	-
Germany (Bonn)	16,173	-	-	-	16,173	-
Greece	48,580	1,237	1,271	1,406	52,494	1,400
Iceland	40	8	12	22	82	25
Italy	46,566	-	-	-	46,566	-
Luxembourg	494	-	-	-	494	-
Netherlands	39,100	-	-	-	39,100	-
Norway	31,652	-	-	-	31,652	-
Portugal	21,940	2,286	2,046	3,013	29,285	2,500
Spain	43,449	2,016	2,433	2,982	50,880	2,500
Turkey	114,361	3,072	2,674	3,279	123,386	3,100
United Kingdom	21,624	-	-	-	21,624	-
Yugoslavia	4,347	152	99	69	4,667	130
Africa	50,554	5,092	6,873	8,819	71,338	11,001
Benin	27	-	-	-	27	50
Botswana	93	95	199	229	616	300
Burkina	300	82	115	39	536	50
Burundi	-	32	39	134	205	150
Cameroon	105	39	87	114	345	150
Cape Verde	-	-	8	47	55	60
Central African Republic	-	23	49	99	171	100
Chad	1	-	71	236	308	200
Congo	-	30	47	6	83	50
Djibouti	-	57	115	140	312	100
Equatorial Guinea	1	28	57	54	140	60
Ethiopia	22,701	-	-	-	22,701	-
Gabon	100	60	110	113	383	130
Gambia	-	-	-	-	-	60
Ghana	1,469	295	270	243	2,277	300
Guinea	89	-	48	100	237	100
Guinea-Bissau	-	11	16	13	40	50
Ivory Coast	142	36	49	178	405	110
Kenya	3,278	911	1,345	1,617	7,151	1,700
Liberia	4,697	594	691	764	6,746	1,100
Madagascar	-	-	17	50	67	50
Malawi	38	67	149	186	440	200
Mali	1,257	99	131	147	1,634	150
Mauritania	26	29	57	79	191	50
Mozambique	-	-	-	-	-	150

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APPENDIX II

Table II.10: International Military Education and Training Program FYs 1950 to 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	Fy 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Africa (cont'd)						
Niger	$ 221	$ 327	$ 260	$ 228	$ 1,036	$ 200
Nigeria	1,507	-	-	-	1,507	50
Rwanda	84	5	64	3	156	60
Senegal	825	313	309	466	1,913	511
Seychelles	-	-	-	-	-	50
Sierra Leone	-	22	31	40	92	60
Somalia	356	446	523	992	2,317	1,150
Sudan	2,258	1,139	1,236	1,459	6,092	1,550
Swaziland	-	-	-	51	51	50
Togo	86	36	49	33	204	75
Uganda	26	55	70	61	212	200
Zaire	10,867	202	544	747	12,360	1,400
Zimbabwe	-	60	117	150	327	225
American Republics	195,944	9,184	9,765	10,281	225,174	14,255
Antigua (UK)	-	-	18	30	48	-
Argentina	12,796	-	-	-	12,796	-
Bahamas	-	-	-	-	-	50
Barbados	83	56	61	71	271	-
Belize (UK)	-	20	66	50	135	75
Bolivia	14,221	-	-	122	14,343	300
Brazil	16,353	-	-	-	16,353	-
Chile	16,847	-	-	-	16,847	-
Colombia	15,739	422	677	762	17,600	875
Costa Rica	932	46	122	135	1,235	200
Cuba	2,023	-	-	-	2,023	-
Dominica	12	4	12	43	71	-
Dominican Republic	11,093	430	587	683	12,793	725
Eastern Caribbean	-	-	-	-	-	370
Ecuador	13,086	477	546	694	14,803	700
El Salvador	7,279	5,250	5,020	4,071	21,620	1,500
Grenada	-	-	-	63	63	-
Guatemala	7,502	-	-	-	7,502	300
Guyana	-	14	25	-	39	-
Haiti	1,500	212	379	725	2,816	450
Honduras	9,451	1,223	795	938	12,407	1,100
Jamaica	62	73	181	203	519	250
Mexico	2,875	82	66	160	3,183	200
Nicaragua	11,583	-	-	-	11,583	-
Panama	5,355	359	468	498	6,680	600
Paraguay	6,664	8	55	75	6,802	50
Peru	19,964	453	536	696	21,649	800
St. Christ-Nevis	-	-	-	30	30	-
St. Lucia	5	8	14	42	69	-
St. Vincent + Gren.	-	1	31	43	75	-
Suriname	46	19	-	-	65	50

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Table II.10: International Military Education and Training Program FYs 1950 to 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	Fy 1950 to FY 1984	Estimated FY 1985
	(thousands)					
Trinidad - Tobago	$ -	$ -	$ -	$ -	$ -	$ 50
Uruguay	6,602	5	59	98	6,764	60
Venezuela	13,374	23	47	48	13,992	50
Panama Canal area military schools	-	-	-	-	-	2,000
U.S. Army School of Americas	-	-	-	-	-	3,500
International organizations	278	-	-	-	278	-
General costs	$206,631	$4,744	$5,467	$5,440	$222,282	$ 495

[a]Includes International Military Education and Training and Military Assistance Service Funded programs. See footnote [a], table II.8.

Notes: 1. Totals may not add due to rounding.

2. The total above for fiscal years 1950 to 1981 does not agree with the total in our earlier report because DOD has updated fiscal years 1980 and 1981 with more accurate and complete data. The fiscal year 1980 total decreased $282,000 (1.14 percent), and the fiscal year 1981 total decreased $1,061,000 (3.76 percent) from that stated in our 1982 report.

Sources: 1. DOD's Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts as of September 30, 1984.

2. DOD Congressional Presentation on Security Assistance Programs.

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PEACEKEEPING OPERATIONS PROGRAM

The Peacekeeping Operations Program is authorized by the Foreign Assistance Act of 1961, as amended (ch. 6, part II). In fiscal years 1984 and 1985, the program included U.S. contributions to the Caribbean Peacekeeping Forces, the Multinational Force and Observers, and the U.N. Forces in Cyprus.

Caribbean Peacekeeping Forces

In December 1983, emergency peacekeeping operations funds were authorized for the Caribbean Peacekeeping Forces in Grenada. The Caribbean Peacekeeping Forces consist of military and security personnel from Grenada and the home islands of Jamaica, Barbados, St. Vincent, St. Lucia, St. Kitts, Dominica and Antigua, with assistance from the British in Grenada. The U.S. contribution includes equipment, training, some support and maintenance capability.

Multinational Force and Observers

In August 1981, the Multinational Force and Observers was established to supervise implementation of the provisions in the Treaty of Peace between Israel and Egypt for military limitations and freedom of navigation in the Strait of Tiran and to employ its best efforts to prevent violation of those terms.

The United States contributes an 800-man infantry battalion, plus logistics support (comprising approximately 350 personnel), a number of officers for the Force Commander's staff, and a group of civilian observers. Fiji and Colombia also contribute battalions and Uruguay, Australia, France, the United Kingdom, Italy, New Zealand, and the Netherlands provide specialized units.

The United States, Egypt, and Israel have agreed to share equally the expenses of the Multinational Force and Observers. Due to heavy start-up costs in the first year (fiscal year 1982), the United States provided 60 percent of the budget.

U.N. Forces in Cyprus

The U.S. contribution to the U.N. Forces in Cyprus helps support about 2,350 military and civilian personnel stationed in Cyprus. These personnel are provided by Austria, Canada, Denmark, Finland, Ireland, Sweden, and the United Kingdom.

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Table II.11: Peacekeeping Operations
FYs 1979 to 1985

	FY 1979 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1979 to FY 1984	Estimated FY 1985
	(thousands)					
Total	$86,328	$145,700	$31,100	$56,200	$319,328	$44,000
Caribbean Peacekeeping Forces	-	-	-	15,000	15,000	7,000
Chad Peacekeeping Operation	-	6,700[a]	-	-	6,700	-
Multinational Force and Observers	10,000	125,000	22,100	32,200	189,300	28,000[b]
Sinai Support Mission	42,628	5,000	-	-	47,628	-
Spain[c]	7,000	-	-	-	7,000	-
UN Forces in Cyprus	26,700	9,000	9,000	9,000	53,700	9,000

[a]Transferred from the Economic Support Fund under provisions of section 610(a) of the Foreign Assistance Act of 1961, as amended.

[b]Because of a $12 million carry-over from FY 1984, the U.S. assessment is only $23 million. The remaining $5 million will be carried over to reduce the U.S. appropriation for FY 1986.

[c]Funded from the Peacekeeping Operations Program in FY 1979 and from the Economic Support Fund thereafter.

Source: DOD Congressional Presentation on Security Assistance Programs.

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SECURITY AND MILITARY ASSISTANCE RELATED ACTIVITIES

Activities which are related to security and military assistance include cash FMS transactions, the special defense acquisition fund, leases and loans of equipment, sale of ships, providing excess defense articles, stockpiling defense articles for foreign countries, overseas military program management, construction costs for overseas bases, and the antiterrorism assistance program.

Some of the activities require congressional authorizations and appropriations on an annual basis; others require congressional review and oversight only. For example, the FMS cash sales, leases and loans of equipment, sale of ships, providing excess defense articles, and stockpiling defense articles for foreign countries do not involve any appropriations of funds at the time of the transaction. However, congressionally mandated limits, ceilings, dollar values, and notification requirements are associated with these activities.

FOREIGN MILITARY SALES CASH PROGRAM

In addition to sales financed with FMS credits or grants, a country may buy U.S. military equipment and services under FMS sales agreements to be paid with its own cash. FMS cash transactions, authorized by the Arms Export Control Act, enable eligible foreign governments to purchase defense articles, services, and training from the U.S. government. Normally, the foreign government signs a sales agreement, commonly known as the "Letter of Offer and Acceptance," with the U.S. government. The agreement includes the terms of the sale and delivery of the items or services, and the purchasing government pays all costs associated with the sale. DOD can provide the items or services from DOD stocks in accordance with section 21 of the Arms Export Control Act or by procuring the items from U.S. firms in accordance with section 22 of the act. When the source of supply is new procurement, the U.S. government agency or military department assigned cognizance for the procurement enters into a contractual arrangement with industry to provide the item or service requested.

According to DSAA, table III.1 identifies cash sales from fiscal year 1950 through July 11, 1985. The table also includes some credit purchases, when the terms of the sales involve both cash and credit. Furthermore the table includes some advance purchases relating to cooperative logistics supply arrangements for which the terms of sale (cash or credit) are not readily identifiable. During fiscal years 1982 through 1984, such orders averaged about $760 million annually.

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Table III.1: FMS Cash Program FY 1950 to July 11, 1985

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	FY 1985 to July 11, 1985
	(thousands)					
Total	$96,728,632	$13,600,959	$7,625,731	$6,510,604	$124,465,926	$7,698,446
Country						
Algeria	-	-	-	79	79	40
Argentina	121,372	-	-	75	121,447	5,209
Australia	3,181,192	3,182,008	111,280	171,931	6,646,411	191,487
Austria	175,123	7,715	5,457	5,744	194,039	2,504
Bahrain	6,260	5,343	5,374	5,563	22,540	131,326
Bangladesh	-	-	27	2	29	1,341
Barbados	15	-	3	-	18	-
Belgium	2,094,214	14,102	8,355	6,797	2,123,468	3,619
Bolivia	2,099	-	-	4	2,103	-
Brazil	123,191	9,220	34,023	9,666	176,100	8,832
Brunei	182	123	-	-	305	-
Burma	5,860	1,176	191	1,372	8,599	59
Cameroon	3	-	-	-	3	-
Canada	1,792,526	163,537	108,402	349,454	2,413,919	290,444
Chile	150,985	-	-	-	150,985	-
China	-	-	-	813	813	430
Colombia	29,618	3,362	15,838	80	48,898	451
Costa Rica	1,174	-	15	-	1,189	-
Cuba	4,510	-	-	-	4,510	-
Denmark	1,180,830	24,003	41,000	56,906	1,302,739	51,192
Dominican Republic	2,410	-	440	198	3,048	733
Ecuador	81,198	303	4,657	35,166	121,324	285
Egypt	229,438	3,558	2	5,934	238,932	20,976
El Salvador	12,526	2,945	1,108	-	16,579	-
Ethiopia	83,373	-	-	-	83,373	-
Fiji	1,502	4	-	5	1,511	-
Finland	182	-	6,903	1,483	8,568	17
France	381,507	63,447	215,725	89,660	750,339	12,816
Gabon	145	-	-	-	145	-
Germany	7,893,297	276,740	207,341	241,732	8,619,110	1,245,088
Ghana	662	-	-	-	662	-
Greece	1,179,085	72,233	94,207	103,543	1,449,068	81,038
Guatemala	24,960	-	71	2,820	27,851	534
Haiti	1,107	-	-	81	1,188	-
Honduras	11,263	265	7	-	11,535	-
Iceland	543	-	-	-	543	1
India	75,219	685	33	379	76,316	1
Indochina	8,542	-	-	-	8,542	-
Indonesia	140,581	6,616	3,492	7,959	158,648	298
Iran	12,293,914	-	-	-	12,293,914	-

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Table III.1: FMS Cash Program FY 1950 to July 11, 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	FY 1985 to July 11, 1985
	(thousands)					
Iraq	$ 13,152	$ -	$ -	$ -	$ 13,152	$ -
Ireland	740	44	5	44	833	9
Israel	1,731,393	37,271	49,327	24,249	1,842,240	37,128
Italy	1,018,973	87,338	17,506	48,038	1,171,855	164,310
Jamaica	160	-	-	-	160	-
Japan	2,375,822	464,018	270,880	204,206	3,314,926	87,165
Jordan	1,316,545	31,643	23,984	12,038	1,384,210	14,440
Kenya	41,988	695	903	-	43,586	-
Korea	1,823,293	156,716	281,668	174,513	2,436,190	182,821
Kuwait	847,692	113,837	136,746	152,568	1,250,843	86,268
Lebanon	59,505	5,169	381,800	82,294	528,768	9,268
Liberia	1,338	-	-	-	1,338	-
Libya	29,594	-	-	-	29,594	-
Luxembourg	3,690	893	369	305	5,257	19
Malaysia	88,306	311	2,325	2,182	93,124	3,694
Mali	106	-	-	-	106	-
Mexico	-	3,564	2,034	3,117	8,715	4,007
Morocco	124,843	3,257	88,143	4,349	220,592	-
Nepal	73	-	-	-	73	-
Netherlands	3,227,242	106,814	96,158	354,882	3,785,096	69,775
New Zealand	185,935	19,861	16,653	15,652	238,101	13,625
Nicaragua	4,917	-	-	-	4,917	-
Niger	8	-	-	-	8	-
Nigeria	63,579	2,251	10,736	357	76,923	7,654
Norway	1,740,689	39,232	101,684	27,506	1,909,111	26,091
Oman	24,208	927	1,480	1,115	27,730	455
Pakistan	549,677	331,588	90,866	149,895	1,122,026	95,248
Panama	4,341	514	223	817	5,895	551
Papua New Guinea	-	-	-	206	206	187
Paraguay	518	199	7	-	724	-
Peru	139,143	608	163	1,256	141,170	368
Philippines	207,579	12,144	5,695	1,155	226,573	4,933
Portugal	61,825	34,954	125,712	16,534	239,025	14,613
Qatar	346	342	176	1,433	2,297	276
Rwanda	747	-	-	-	747	-
Saudi Arabia	34,438,163	6,610,592	1,522,062	2,762,302	45,333,119	2,988,193
Senegal	9	-	-	-	9	-
Singapore	340,934	38,968	415,477	18,005	813,384	338,039
Somalia	1,100	-	1,168	661	2,929	237
South Africa	3,149	-	-	-	3,149	-
Spain	1,320,539	30,676	43,468	46,032	1,440,715	85,680

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Table III.1 FMS Cash Program FY 1950 to July 11, 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	FY 1985 to July 11, 1985
	(thousands)					
Sri Lanka	$ 4	$ -	$ -	$ -	$ 4	$ -
Sudan	89,264	-	5,304	1,058	95,626	315
Surinam	1	-	-	-	1	-
Sweden	138,434	9,111	920	81,190	229,655	10,556
Switzerland	1,159,485	4,200	32,432	3,701	1,199,818	7,710
Syria	1	-	-	-	1	-
Taiwan	2,548,744	515,628	579,978	692,324	4,336,674	319,868
Thailand	1,033,518	101,452	98,802	68,535	1,302,307	386,733
Trinidad-Tobago	109	-	5	-	114	-
Tunisia	19,698	5,894	4,915	5,476	35,983	2,193
Turkey	193,129	66,092	76,929	105,365	441,515	206,936
United Arab Emirates	23,889	121	652,530	4,101	680,641	77,535
United Kingdom	6,305,439	198,359	390,321	273,067	7,167,186	158,453
Uruguay	8,937	1,610	1,149	235	11,931	97
Venezuela	204,417	617,424	3,896	5,404	831,141	2,949
Vietnam	1,167	-	-	-	1,167	-
Yemen	323,444	4,460	3,057	-	330,961	4,466
Yugoslavia	53,608	32,921	-	-	86,529	97
Zaire	7,930	-	281	413	8,624	-
Total	95,193,687	13,529,083	6,401,888	6,444,026	121,568,684	7,461,683
International/ Multinational						
CENTO	5	-	-	-	5	-
F-16 Conversion Program						
Belgium	-	-	944,523	-	944,523	4,179
Denmark	-	-	-	-	-	165,649
Netherlands	-	-	-	-	-	7,624
Norway	-	-	-	-	-	6,029
ICAO	5	-	-	-	5	-
NAMFI	16,598	50	-	-	16,648	-
NAMMA	1,107	46	68	293	1,514	-
NAMSA-F-104	3,429	-	-	223	3,652	53
NAMSA-GENERAL	633,235	41,344	22,975	31,112	728,666	13,279
NAMSA-HAWK	90,811	7,371	4,857	6,375	109,414	4,650
NAMSA-NNTC	-	3,025	2,758	2,744	8,527	20
NAMSA	18,542	-	-	-	18,542	-
NAPMO	492,405	-	-	11	492,416	-
NATO	212,556	1,338	1,021	1,348	216,263	1,094
NATO AEW&C Ground Environment Interface	1,187	-	15	-	1,202	-
NATO AEW&C Operations and Support	11,420	10,745	6,091	15,987	44,243	26,952

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Table III.1 FMS Cash Program FY 1950 to July 11, 1985 (continued)

	FY 1950 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	FY 1985 to July 11, 1985
	(thousands)					
NATO Headquarters	$ 159	$ 10	$ 111	$ 181	$ 461	$ -
NATO Sea Sparrow	40,803	6,590	236,296	3,455	287,144	-
NICSMA	74	*	574	191	839	3,338
OAS	4,082	-	-	-	4,082	-
SACLANT	8	-	-	-	8	3
SHAPE	8,513	1,357	4,554	4,658	19,082	3,893
United Nations	6	-	*	-	6	-
Total	$1,534,945	$71,876	$1,223,843	$66,578	$2,897,242	$236,763

Notes: 1. * denotes less than $500.
2. Terms of sale are subject to change.

Abbreviations:

AEW&C	Aircraft Early Warning and Control
CENTO	Central Treaty Organization
ICAO	International Civil Aviation Organization
NAMFI	NATO Missile Firing Installation
NAMMA	NATO Multi-Role Combat Aircraft
NAMSA	NATO Maintenance and Supply Agency
NAPMO	NATO Airborne Early Warning and Control Program Management Office
NATO	North Atlantic Treaty Organization
NICSMA	NATO Integrated Communications System Management Agency
OAS	Organization of American States
SACLANT	Supreme Allied Commander Atlantic
SHAPE	Supreme Headquarters U.S. Allies Europe

Source: DSAA.

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SPECIAL DEFENSE ACQUISITION FUND

Prior to 1982, various collections associated with sales of defense equipment by the military services were deposited in a Treasury miscellaneous receipt account. In 1982, the Arms Export Control Act was amended to authorize the accumulation of up to $900 million of these receipts in a new account, the Special Defense Acquisition Fund. The act requires that money be made available pursuant to annual appropriation acts. The fund was established to address the dilemma posed to the U.S. government when a foreign government needed defense items, often in the face of a serious threat, and required delivery in less than the normal manufacturing time. The United States could turn down such requests, thus possibly damaging U.S. national security and foreign policy interests, or it could fulfill the requirements by diverting equipment from U.S. forces, thus possibly degrading military readiness.

With the Special Defense Acquistion Fund, DOD can now procure defense items in anticipation of foreign demand. If DOD sucessfully forecasts foreign demand, the fund allows DOD to fill the emergency foreign requirements from its inventory rather than withdrawing these requirements from service stocks. For nonemergency requirements, the fund allows DOD to expedite delivery to the foreign buyer because DOD can be on contract for the equipment before an actual sales agreement is concluded.

Day-to-day management of the Special Defense Acquisition Fund is under the direction and supervision of the Director, DSAA. The fund's annual procurement plan is developed by DSAA in concert with the Department of State, the military departments, and the Joint Chiefs of Staff. Following the decision to procure an item using fund resources, DSAA authorizes the military department concerned to enter into a procurement contract. When a foreign country has an emergency requirement that is met with a withdrawal/diversion from U.S. inventories, a Special Defense Acquisition Fund procurement might be used to sell the item back to DOD and reduce the readiness impact.

During fiscal years 1982 to 1984, Special Defense Acquisition Fund appropriations totalled $475 million. For fiscal year 1985, the fund's obligation authority was $325 million.

The following table indicates the fund's procurements and sales as of September 30, 1984. In addition to those items sold prior to October 1, 1984, $64 million worth of fund items had been either sold or firmly allocated as of January 31, 1985.

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APPENDIX III

Table III.2: Special Defense Acquisition Fund Procurements and Sales As of October 1, 1984

Item	Quantity purchased	Value purchased (thousands)	Quantity sold	Value sold (thousands)
M60A3 tank	54	$68,500	-	$ -
M198 howitzer	108	39,900	6	2,300
M113A2 armored personnel carriers	75	11,000	-	-
M151A2 jeeps	621	9,500	-	-
Basic STINGER missile	1,720	80,800	400	28,700
MAVERICK missile (AGM 65B)	120	6,000	-	-
I-TOW missile	1,200	7,000	1,200	7,000
I-TOW missile test set	1	300	-	-
TOW-II missile	2,130	21,700	-	-
TOW-II missile launcher	35	1,600	-	-
HARPOON missile (long lead time items)	100	10,000	-	-
PHALANX MK15 CIWS	4	13,300	4	13,300
30 mm gun pods (GPU-5A)	20	8,700	-	-
81 mm mortars	200	1,900	-	-
Machine guns	3,800	17,800	-	-
AN/TPS-70 radar	2	17,100	-	-
5.56 mm rifle ammo	xx	8,700	xx	1,200
7.62 mm/50 cal. machine gun ammo	xx	4,500	-	-
105 mm tank ammo	xx	12,700	-	-
155 mm artillery ammo	xx	40,200	xx	2,600

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APPENDIX III

Table III.2: Special Defense Acquisition Fund Procurements and Sales As of October 1, 1984 (continued)

Item	Quantity purchased	Value purchased (thousands)	Quantity sold	Value sold (thousands)
PHALANX close in weapon system	xx	$ 500	-	$ -
Super rapid blooming offboard chaff rounds	xx	2,800	-	-
CBU-87 ammo	xx	6,000	-	-
Radios	xx	15,400	xx	800
Communication security equipment	xx	9,900	xx	1,400
Personal equipment & miscellaneous	xx	8,300	-	-
Total		$424,100		$57,300

Note: xx denotes multiple groupings of items or generic categories of ammunition or vast quantities of ammunition rounds.

Source: DOD Congressional Presentation on Security Assistance Programs.

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LEASES OF EQUIPMENT

In addition to selling military equipment or providing grant funding, the United States may lease equipment to foreign countries and international organizations as authorized by chapter 6 of the Arms Export Control Act. The Secretary of Defense has delegated responsibility for the administration of leases to the Director, DSAA. The Security Assistance Management Manual outlines procedures to be followed on leasing military equipment to foreign governments.

The International Security and Development Cooperation Act of 1981 stipulated that generally U.S. government equipment would no longer be leased on a rent-free or nominal-rent basis. The requirement does not apply to leases involving cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three-quarters of its normal service life.

During the period January 1, 1977, to June 30, 1985, the United States entered into lease arrangements for military equipment having a total property value of about $442 million. Following is a list of the value of leases made each year.

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Table III.3: Value of Property Leased January 1, 1977, to June 30, 1985

Calendar year	Value of property leased rent-free	Value of property leased with rent payable	Total value of property leased
1977	$ -	$ 361,824	$ 361,824
1978	20,000	1,167,178	1,187,178
1979	3,975,786	21,547,245	25,523,031
1980	48,498,652	5,221,084	53,719,736
1981	15,537,613	2,369,539	17,907,152
1982	12,819,483	24,374,317	37,193,800
1983	20,302,673	201,320,508[a]	221,623,181[a]
1984	5,873,667	8,523,500	14,397,167
1985 (to June 30, 1985)	1,979,379	68,430,387[b]	70,409,766[b]
Total	$109,007,253	$333,315,582[ab]	$442,322,835[ab]

[a]Includes $182 million for I-Hawk leases to Norway.
[b]Includes $63 million for I-Hawk leases to Denmark.

Source: DSAA.

LOANS OF EQUIPMENT

Lending military equipment to foreign countries is authorized under exceptional circumstances in accordance with section 503 of the Foreign Assistance Act of 1961, as amended, but is restricted to MAP recipients. According to DSAA, no military equipment is currently on loan. The equipment listed in our 1982 report is no longer being loaned.

SALE OF U.S. NAVY SHIPS TO FOREIGN GOVERNMENTS

Since World War II, the ship transfer program has been an integral part of the U.S. security assistance program. Ships less than 20 years old or weighing more than 3,000 tons may not be transferred unless the Chief of Naval Operations certifies it is nonessential to the United States and Congress enacts a law authorizing its transfer. Other naval vessels may be transferred only after (1) congressional committees have been notified and 30 continuous legislative days have passed without congressional objection and (2) the Chief of Naval Operations

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certifies that the ship is not essential to the defense of the United States. The purpose of the ship transfer program is to strengthen the friendly navies of small countries and make them more self-reliant. According to Navy regulations, a ship's sale price is supposed to be based on the higher of scrap or fair value.

The U.S. Navy sold 187 ships to foreign governments between January 1977 and August 5, 1985. The total sales price for all 187 ships equalled $37.8 million, which represents 4.9 percent of the total U.S. acquisition cost of $765.1 million.

Table III.4: Ship Sales
January 1977 to August 1985

Calendar year	Number of ships	Sales price (thousands)	Acquisition cost (thousands)
1977	70	$12,147	$338,870
1978	57	7,733	175,691
1979	13	2,666	30,882
1980	35	9,242	119,959
1981	5	1,384	41,265
1982	4	2,011	33,606
1983	3	2,643	24,800
1984	-	-	-
1985 (to Aug. 5, 1985)	-	-	-
Total	187	$37,826	$765,073

Following is a detailed listing of the individual sales of U.S. Navy ships to foreign governments between January 1, 1982, and August 5, 1985.

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Table III.5: Sales of Excess U.S. Navy Ships to Foreign Governments January 1, 1982, to August 5, 1985

Ship (name, type, and number)[a]	Country	Transfer date	Sale price	Acquisition cost	Year U.S. Navy acquired	Hot ship transfer[b]	Sales price basis
STEINAKER (DD-863)	Mexico	2-82	$362,000	$8,503,000	1945	Yes	Scrap value
VOGELGESANG (DD-862)	Mexico	2-82	362,000	8,503,000	1945	Yes	Scrap value
CONE (DD-866)	Pakistan	10-82	930,000	8,500,000	1945	Yes	Fair value
MCKEAN (DD-784)[c]	Turkey	10-82	357,000	8,100,000	1945	No	Scrap value
HOLLISTER (DD-788)	CCNAA[d]	3-83	838,000	8,100,000	1946	No	Fair value
HAWKINS (DD-873)	CCNAA[d]	3-83	874,000	8,100,000	1945	No	Fair value
HAROLD J. ELLISON (DD-864)	Pakistan	10-83	930,000	8,600,000	1945	Yes	Fair value

[a]"DD" denotes destroyer.

[b]A transfer that is made on the day the vessel is retired from active service in the U.S. Navy.

[c]McKean was sold at scrap value; Turkish Navy utilized ship for spare parts.

[d]Coordination Council for North American Affairs, representing the People on Taiwan.

NOTES: 1. As of August 5, 1985.
2. None of the ships sold in calendar years 1982 or 1983 had been leased or loaned directly prior to sale.

Source: Office of Chief of Naval Operations.

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In April 1984, we issued a report, Excess Navy Ships Sold to Foreign Countries at Understated Prices (GAO/NSIAD-84-7), which concluded that contrary to Navy regulations, most ships were being sold at prices based on scrap value rather than the higher fair value. The U.S. Navy had not determined the condition of these ships at the time of sale, and the prices did not generally reflect conversions and overhaul costs or the cost of spare parts and consumables left on board at the time of transfer. We recommended that the prices of such ship sales be based at the higher of fair value or scrap value. Subsequently, the International Security and Development Cooperation Act of 1985 amended the Arms Export Control Act to adopt our position that the higher value, including conversion costs, be used.

EXCESS DEFENSE ARTICLES

Defense articles no longer needed by DOD, referred to collectively as excess defense articles, in the past were used to meet certain MAP requirements, but are now sold to eligible countries under FMS procedures.

Section 31(d) of the Arms Export Control Act limits the annual acquisition value to be provided to foreign governments by sales and MAP to $250 million annually. The price of the equipment to be sold is the higher of its market value as military hardware or fair value, which is based on the condition of the items as described in DOD 7290.3-M, the Foreign Military Sales Financial Management Manual: fair value rates range from a high of 50 percent of original acquisition value for unused equipment to a low of 5 percent for unserviceable equipment in need of major repairs. This price range applies to defense articles which are not intended to be replaced. The following schedule shows the excess defense articles sold under the FMS Program.

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Table III.6: Excess Defense Articles Sold Under Foreign Military Sales FYs 1977 to 1984

	FY 1977 to FY 1981		FY 1982		FY 1983		FY 1984		FY 1977 to FY 1984	
	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value
	(thousands)									
Total	$248,405	$40,574	$12,327	$4,676	$3,203	$718	$29,807	$6,025	$293,742	$51,993
East Asia and Pacific										
Australia	17,284	1,609	-	-	-	-	-	-	17,284	1,609
Indonesia	-	-	1,979	99	-	-	120	65	2,099	164
Japan	957	168	-	-	-	-	43	7	1,000	175
Korea	28,264	3,731	33	8	35	15	3,521	1,014	31,853	4,768
New Zealand	9	*	-	-	-	-	-	-	9	*
Philippines	44,211	5,940	-	-	324	7	21	1	44,556	5,948
Singapore	45,851	12,373	-	-	-	-	-	-	45,851	12,373
Taiwan	37,302	4,742	779	363	960	457	22,608	4,250	61,649	9,812
Thailand	4,105	1,631	2,298	1,152	594	54	41	22	7,038	2,859
Total	177,983	30,194	5,089	1,622	1,913	533	26,354	5,359	211,339	37,708
Near East and South Asia										
Iran	1,000	50	-	-	-	-	-	-	1,000	50
Israel	13,123	954	-	-	*	*	618	31	13,741	985
Jordan	340	188	-	-	-	-	-	-	340	188
Morocco	51	3	-	-	-	-	-	-	51	3
Pakistan	287	21	-	-	92	8	100	18	479	47
Tunisia	631	15	-	-	-	-	-	-	631	15
Total	15,432	1,231	-	-	92	8	718	49	16,242	1,288
Europe and Canada										
Belgium	-	-	-	-	321	27	388	146	709	173
Canada	1,092	129	20	1	474	25	480	104	2,066	259
Denmark	75	4	-	-	-	-	-	-	75	4

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APPENDIX III

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Table III.6: Excess Defense Articles Sold Under Foreign Military Sales FYs 1977 to 1984 (continued)

	FY 1977 to FY 1981		FY 1982		FY 1983		FY 1984		FYs 1977 to FY 1984	
	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value
	(thousands)									
France	4	2	-	-	-	-	-	-	4	2
Germany	843	209	-	-	-	-	901	90	1,744	299
Greece	8,356	1,455	55	15	31	15	46	24	8,488	1,509
Iceland	1,446	48	-	-	-	-	-	-	1,446	48
Italy	-	-	337	151	60	29	-	-	397	180
Luxembourg	81	5	-	-	9	*	-	-	90	5
Netherlands	-	-	-	-	46	13	-	-	46	13
Norway	5	2	-	-	-	-	-	-	5	2
Portugal	54	8	-	-	-	-	-	-	54	8
Spain	1,310	188	-	-	-	-	-	-	1,310	188
Switzerland	-	-	-	-	-	-	6	*	6	-
Turkey	10,812	1,181	-	-	18	9	237	130	11,067	1,320
United Kingdom	-	-	-	-	-	-	117	6	117	6
Yugoslavia	338	32	-	-	-	-	-	-	338	32
Total	24,416	3,263	412	167	959	118	2,175	500	27,962	4,048
Africa										
Ethiopia	31	4	-	-	-	-	-	-	31	4
Zaire	1,068	534	-	-	-	-	-	-	1,068	534
Total	1,099	538	-	-	-	-	-	-	1,099	538
American Republics										
Argentina	13,142	1,697	-	-	-	-	-	-	13,142	1,697
Bolivia	*	*	-	-	-	-	-	-	*	*
Colombia	4,774	1,230	-	-	-	-	-	-	4,774	1,230
Costa Rica	-	-	-	-	21	1	-	-	21	1
El Salvador	13	3	-	-	-	-	-	-	13	3

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Table III.6: Excess Defense Articles Sold Under Foreign Military Sales FYs 1977 to 1984 (continued)

	FY 1977 to FY 1981		FY 1982		FY 1983		FY 1984		FYs 1977 to FY 1984	
	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value	Acquisition value	Sales value
	(thousands)									
Guatemala	334	155	-	-	-	-	-	-	334	155
Haiti	2,426	151	-	-	-	-	-	-	2,426	151
Honduras	2,776	781	2,203	373	160	34	148	12	5,287	1,200
Mexico	2,708	412	-	-	-	-	-	-	2,708	412
Nicaragua	229	80	-	-	-	-	-	-	229	80
Panama	587	72	8	*	17	2	37	5	649	79
Paraguay	678	145	529	112	-	-	-	-	1,207	257
Peru	-	-	4,064	2,391	-	-	-	-	4,064	2,391
Uruguay	1,553	435	-	-	-	-	-	-	1,553	435
Venezuela	242	184	-	-	-	-	-	-	242	184
Total	29,462	5,345	6,804	2,876	198	37	185	17	36,649	8,275
International organizations	13	3	22	11	41	22	375	100	451	136

Notes: * denotes less than $500.

Source: DOD Congressional Presentation on Security Assistance Programs.

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APPENDIX III

STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES

Section 514(b) of the Foreign Assistance Act of 1961, as amended, sets an annual ceiling on the value of additions to stockpiles of defense articles located abroad that may be set aside, earmarked, reserved, or otherwise intended for use as war reserve stocks for allied or other foreign countries (other than those for NATO purposes). For fiscal year 1985, legislation set a ceiling of $248 million. Defense articles added to stockpiles under this ceiling were to have come from existing stocks, according to DOD.

The defense articles in these stockpiles remain U.S. military service-owned stocks. As the term "war reserve" implies, these stocks are intended for use only in emergencies. All of the additions under fiscal years 1983 to 1985 ceilings were proposed for the Republic of Korea, and some of the stocks were to be stored, under agreed arrangements, at Korean government facilities.

Table III.7: Value of Authorized Annual Additions to War Reserve Stocks for Allies FYs 1977 to 1985

Fiscal year	Amount (thousands)
1977	$ 125,000
1978	270,000
1979	90,000
1980	95,000
1981	85,000
1982	130,000
1983	125,000
1984	125,000
1985	248,000
Total	$1,293,000

Source: DOD Congressional Presentation on Security Assistance Programs.

OVERSEAS MILITARY PROGRAM MANAGEMENT

In all but a few foreign countries where military assistance or related programs are small and uncomplicated, DOD personnel supervise and coordinate U.S. military security assistance activities. These personnel, responsible to the Chief of the U.S. Diplomatic Mission, maintain direct liaison with the U.S. Diplomatic Mission and the foreign defense establishment on security assistance matters; advise and assist

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the Chief of the U.S. Diplomatic Mission on such matters; and advise, assist, and plan with the foreign defense establishment as may be appropriate. These personnel implement international defense cooperation relationships, which include such interrelated activities as armaments cooperation projects to promote rationalization, standardization, and interoperability; in-country management of foreign military sales cases; data exchange agreements; military exercises; memoranda of understanding; host nation support; arrangements, evaluation, and planning of the host government's military capabilities and requirements.

In 17 countries, administration of security assistance activities is carried out by the U.S. Embassy or the Defense Attache Office. In the other countries, a range of variously titled groups, such as military assistance advisory groups, liaison offices, offices of defense cooperation, and so forth, manage these activities. (See abbreviations following table III.8 for identification of specific organizations in each country.)

Table III.8 shows all costs to run these overseas organizations, including a prorated amount to reimburse the State Department for such services as dependents' schooling. Other overseas management costs included are military pay and benefits, civilian pay and some benefits, office space, supplies, and travel. Any costs incurred for the FMS portion of the program are recovered from amounts received for sales made under sections 21, 22, and 29 of the Arms Export Control Act.

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Table III.8: Overseas Military Program Management Costs FYs 1978 to 1985[a]

Country	Organization[b]	FY 1978 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1978 to FY 1984	Estimated FY 1985
		(thousands)					
FMS Program		$118,393	$36,829	$31,929	$30,310	$217,461	$32,410
Military Assistance Program		39,310	17,063	26,456	32,209	115,038	41,499
Total		157,703	53,892	58,385	62,519	332,499	73,909
East Asia and Pacific							
Australia[c]	DAO	262	100	121	153	636	250
Burma[c]	DAO	8	8	8	15	39	15
Fiji	d	-	-	-	2	2	2
Indonesia[c]	MADP	7,136	1,667	1,540	1,597	11,940	1,837
Japan	USMDAO	4,148	1,222	1,350	1,264	7,984	1,399
Korea	JUSMAG	27,659	9,020	9,332	8,368	54,379	11,149
Malaysia[c]	DAO	183	120	204	225	732	323
New Zealand	DAO	5	2	2	3	12	3
Philippines	JUSMAG	6,173	1,995	2,005	2,558	12,731	2,981
Singapore[c]	DAO	196	67	81	85	429	95
Taiwan	-	932	-	-	-	932	-
Thailand	JUSMAG	7,981	2,727	3,030	3,434	17,172	4,556
Total		54,683	16,928	17,673	17,704	106,988	22,610
Near East and South Asia							
Afghanistan	-	5	-	-	-	5	-
Algeria	DAO	-	-	-	2	2	2
Bangladesh[c]	DAO	15	6	8	16	45	20
Egypt	OMC	4,122	2,966	3,436	3,998	14,522	4,858
India	ODC	824	241	261	278	1,604	333
Iran	-	419	-	-	-	419	-
Israel	DAO	1	3	3	3	10	3
Jordan	MAP	3,477	1,142	1,279	1,447	7,345	1,599
Kuwait	USLOK	498	100	98	258	954	127
Lebanon	OMC	207	119	1,018	802	2,146	863
Morocco	MUSLO	3,594	1,113	1,316	1,555	7,578	1,672
Nepal	DAO	7	5	3	12	27	12
Oman[c]	DAO	393	289	358	451	1,491	595
Pakistan	ODRP	1,973	787	771	987	4,518	1,582
Qatar	d	-	-	-	-	-	9
Saudi Arabia	USMTM	1,892	763	697	802	4,154	808
Sri Lanka[c]	DAO	16	15	11	19	61	17
Tunisia	USLOT	1,836	663	753	905	4,157	1,030
United Arab Emirates	OMC	340	405	1,316	740	2,801	1,299

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Table III.8: Overseas Military Program Management Costs FYs 1978 to 1985[a] (continued)

Country	Organization[b]	FY 1978 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1978 to FY 1984	Estimated FY 1985
		(thousands)					
Yemen	OMC	$ 2,582	$ 1,225	$ 1,371	$ 1,295	$ 6,473	$ 1,472
Total		22,201	9,842	12,699	13,570	58,312	16,301
Europe and Canada							
Austria[c]	DAO	388	140	121	129	778	163
Belgium	ODC	2,186	678	676	660	4,200	718
Canada[c]	DAO	-	10	80	105	195	91
Denmark	ODC	1,317	446	424	411	2,598	501
Finland	DAO	3	3	3	3	12	3
France	ODC	2,066	585	628	621	3,900	598
Germany	ODC	3,599	915	1,156	1,252	6,922	1,300
Greece	JUSMAG	7,173	1,991	1,911	2,305	13,380	2,233
Ireland	DAO	-	-	-	-	-	2
Italy	ODC	2,076	639	716	835	4,266	828
Netherlands	ODC	1,465	439	400	395	2,699	447
Norway	ODC	1,022	340	347	362	2,071	402
Portugal	MAAG	2,822	1,084	1,225	1,231	6,362	1,345
Spain	JUSMAAG	4,910	1,832	1,762	1,941	10,445	2,036
Sweden	DAO	-	-	-	-	-	2
Switzerland	DAO	12	4	4	4	24	4
Turkey	JUSMMAT	14,460	4,705	4,487	4,756	28,408	5,246
United Kingdom[c]	DAO	535	147	135	166	983	153
Yugoslavia[c]	DAO	168	120	173	269	730	204
Total		44,202	14,078	14,248	15,445	87,973	16,276
Africa							
Cameroon[c]	DAO	-	-	-	3	3	3
Chad	d	2	-	-	80	82	88
Congo	DAO	-	-	-	2	2	3
Ghana[c]	DAO	29	20	19	17	85	18
Ivory Coast	DAO	4	5	5	3	17	3
Kenya	KUSLO	826	454	462	463	2,205	585
Liberia	LIBMISH	2,592	812	933	1,090	5,427	1,192
Malawi	DAO	-	-	-	3	3	3
Nigeria[c]	DAO	1,357	300	631	286	2,574	332
Senegal[c]	DAO	33	11	6	113	163	139
Somalia	OMC	215	625	781	1,180	2,801	1,694
Sudan	OMC	1,067	1,107	1,397	1,372	4,943	1,453
Zaire	ZAMISH	3,423	1,239	1,143	1,315	7,120	1,200
Zimbabwe	DAO	-	-	-	3	3	4
Total		9,548	4,573	5,377	5,930	25,428	6,717

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Table III.8: Overseas Military Program Management Costs FYs 1978 to 1985[a] (continued)

Country	Organization[b]	FY 1978 to FY 1981	FY 1982	FY 1983	FY 1984	FY 1978 to FY 1984	Estimated FY 1985
		(thousands)					
American Republics							
Argentina	MILGP	$ 3,174	$ 786	$ 536	$ 562	$ 5,058	$ 680
Barbados	USMLO	131	174	176	231	712	338
Belize	USMLO	-	-	106	131	237	135
Bolivia	MILGP	1,653	-	66	192	1,911	395
Brazil	SAMS	3,379	517	586	732	5,214	791
Chile	-	859	-	-	-	859	-
Colombia	MILGP	2,416	808	694	916	4,834	961
Costa Rica	ODC	597	184	269	315	1,365	467
Dominican Republic	MAAG	1,037	460	482	462	2,441	563
Ecuador	USMLO	1,137	400	435	447	2,419	522
El Salvador	MILGP	1,234	1,058	794	1,199	4,285	1,533
Guatemala	MILGP	1,190	328	310	359	2,187	421
Haiti[c]	DAO	155	72	95	90	412	100
Honduras	MILGP	1,424	678	772	970	3,844	1,582
Jamaica	USMLO	-	132	212	217	561	234
Mexico[c]	DAO	144	119	172	215	650	248
Nicaragua	-	788	358	100	-	1,246	-
Panama	MILGP	1,680	315	396	555	2,946	589
Paraguay	ODC	1,299	431	458	471	2,659	484
Peru	MAAG	1,182	470	518	591	2,761	616
Uruguay	ODC	1,394	475	445	423	2,737	489
Venezuela	MILGP	2,196	706	766	792	4,460	857
Total		$27,069	$8,471	$8,388	$9,870	$53,798	$12,005

[a]Statistics for FY 1977 not readily available.

[b]Organization is as of DOD's Fiscal Year 1986 Congressional Presentation on Security Assistance Programs.

[c]Personnel authorized to assist the DAO with security assistance management functions.

[d]Organization to be determined.

Abbreviations of Overseas Program Management Organizations:

DAO	Defense Attache Office
JUSMAAG	Joint U.S. Military Assistance Advisory Group
JUSMAG	Joint U.S. Military Assistance Group
	Joint U.S. Military Advisory Group
	Joint U.S. Military Aid Group
JUSMMAT	Joint U.S. Military Mission for AID to Turkey
KUSLO	Kenya-U.S. Liaison Office
LIBMISH	U.S. Military Mission, Liberia
MAAG	Military Assistance Advisory Group
MAP	Military Assistance Program, Jordan
MILGP	Military Group
MUSLO	Morocco-U.S. Liaison Office
ODC	Office of Defense Cooperation
ODRP	Office of Defense Representative, Pakistan
OMC	Office of Military Cooperation
SAMS	Security Assistance Management Staff
USLOK	U.S. Military Liaison Office, Kuwait
USLOT	U.S. Liaison Office Tunisia
USMDAO	U.S. Mutual Defense Assistance Office
USMILGP	U.S. Military Group
USMLO	U.S. Military Liaison Office
USMTM	U.S. Military Training Mission
ZAMISH	U.S. Military Mission, Zaire

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CONSTRUCTION COSTS FOR OVERSEAS BASES

The United States continues to develop and maintain foreign military bases. The trend in base construction overseas has been for the host country to own the real property and all improvements made by the U.S. government to that property. Once the United States completes construction of a base or makes other real property improvements, the foreign government normally takes title to them, and the United States has access to the property in accordance with a signed agreement. In some instances, the United States has exclusive base rights, while in others, the base is shared with armed forces of the host country. The U.S. government retains title to equipment, materials, relocatable structures, etc., which are not incorporated into the real property.

In situations where the United States, for whatever reason, withdraws from a base it occupies, generally all real property improvements made by the United States would revert to the host country. In some countries, notably Germany and Japan, the United States would receive compensation for improvements or new construction. However, compensation could be reduced by the amount required to restore host country-provided facilities returned by U.S. forces. As a further stimulus to the host country's economy, many agreements call for the United States to use contractors in the host country to build the facilities.

The following table shows DOD's military construction appropriations for overseas facilities from fiscal year 1977 to 1985. It does not include appropriations for the NATO Infrastructure Program; they are shown separately in table III.11. The table also does not include funds appropriated for various and unspecified worldwide projects. Typically, these categories include (1) access roads; (2) emergency construction; (3) minor construction; (4) planning and design; and (5) operating expenses, leasing, maintenance, interest payments, mortgage insurance premiums, and construction improvements for family housing.

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Table III.9: Military Construction Appropriations for U.S. Facilities Overseas FYs 1977 to 1985

Country/ region	FY 1977 to FY 1982	FY 1983	FY 1984	FY 1985	FY 1977 to FY 1985
	(thousands)				
Total	$2,993,638	$1,204,262	$1,251,293	$1,203,075	$6,652,268
Country					
Australia	2,500	-	3,020	-	5,520
Bahrain	1,400	-	-	-	1,400
Belgium	3,600	810	-	-	4,410
Bermuda	7,740	230	1,920	-	9,890
Canada	280	420	-	-	700
Cuba (Guantanamo Bay)	6,590	11,510	2,430	15,830	36,360
Denmark	-	-	4,900	-	4,900
Diego Garcia	376,917	57,945	90,000	22,410	547,272
Egypt	107,390	91,000	49,000	-	247,390
Germany	1,118,841	320,754	392,259	361,560	2,193,414
Greece	3,610	-	4,880	9,730	18,220
Greenland	2,410	-	-	25,000	27,410
Guam	16,694	48,360	33,950	18,822	117,826
Honduras	-	-[a]	8,000	-	8,000
Iceland	89,040	13,800	31,850	38,840	173,530
Italy	119,578	43,180	55,622	61,785	280,165
Japan	84,791	36,590	33,360	62,490	217,231
Johnston Island	0	1,050	600	67,000	68,650
Kenya	75,001	8,300	-	-	83,301
Korea	243,602	178,980	135,903	179,193	737,678
Kwajalein	21,594	-	4,570	-	26,164
Mariana Islands	-	33,000	-	-	33,000
Morocco	-	-	-	5,050	5,050
Netherlands	17,857	200	5,956	9,810	33,823
New Zealand	1,250	-	-	-	1,250
Norway	-	-	1,500	-	1,500
Oman	78,480	60,350	28,600	2,300	169,730
Panama	32,943	8,090	2,073	1,940	45,046
Philippines	43,866	27,896	42,376	79,135	193,273
Portugal	73,343	-	16,332	4,550	94,225
Puerto Rico	28,577	3,715	5,164	19,186	56,642
Samoa, American	-	-	-	2,000	2,000
Scotland	-	-	-	340	340
Seychelles	550	-	-	-	550
Somalia	24,000	-	-	-	24,000

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Table III.9: Military Construction Appropriations for U.S. Facilities Overseas FYs 1977 to 1985 (continued)

Country/ region	FY 1977 to FY 1982	FY 1983	FY 1984	FY 1985	FY 1977 to FY 1985
	(thousands)				
Spain	$ 26,510	$ -	$ 17,742	$ 42,470	$ 86,722
Turkey	47,996	36,570	45,770	3,700	134,036
United Kingdom	193,037	76,390	82,886	109,579	461,892
Virgin Islands	564	1,455	1,400	600	4,019
Wake Island	14,614	-	-	1,235	15,849
Total	2,865,165	1,060,595	1,102,063	1,144,555	6,172,378
Region					
Classified	-	22,037	149,230	47,000	218,267
Europe	22,223	-	-	-	22,223
Pacific	1,250	-	-	-	1,250
Southwest Asia	105,000	-	-	-	105,000
Various	-	121,630	-	11,520	133,150
Total	128,473	143,667	149,230	58,520	479,890

[a]Does not include $13 million for construction of an air base.

Note: As of February 1985.

Source: DOD Budget, Construction Programs (C-1) exhibit.

NATO Infrastructure Program

The NATO Infrastructure Program is the alliance's commonly funded military construction program designed to provide essential operational facilities and equipment in support of its military forces. The program has given NATO a network of airfields, shelters, common communications, a fuel and lubricants distribution and storage system, air defense warning installations, and air and naval navigational aids.

Infrastructure projects are paid for by NATO member nations according to an agreed-upon cost-sharing arrangement and within a total program fund ceiling. Cost-sharing percentages and the funding ceiling are negotiated periodically. Table III.10 shows the cost-sharing percentages for 1980 to 1984.

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Table III.10: NATO Infrastructure Cost-Sharing Percentages 1980 to 1984

Member nation	"At 14"[a] (without France)	"At 15"[a] (with France)
	(percent)	
United States	27.4200	23.7583
Germany (FRG)	26.5446	22.9996
United Kingdom	12.0797	10.4665
Italy	7.9873	6.9206
Canada	6.3578	5.5087
Belgium	5.5912	4.8446
Netherlands	5.5912	4.4524
Denmark	3.7273	3.2296
Norway	3.1417	2.7222
Turkey	.8045	.8021
Greece	.7932	.6888
Luxembourg	.2130	.1846
Portugal	.2011	.2011
Iceland	-	-
France	-	13.2209

[a]France participates in only a limited number of projects since its withdrawal from the allied military structure in 1967. Most of the program is shared using the percentages termed "At 14" by NATO.

Source: U.S. Participation in the NATO Infrastructure Program (GAO/ID-83-3, Jan. 27, 1983).

Increments of the total program are proposed on a calendar year basis by NATO military commanders and approved by NATO's ambassadors. Program decisions--such as the funding ceiling, the cost-sharing percentages, and the projects to be constructed--require the unanimous consent of the participating nations.

The amounts appropriated to fund the U.S. share of the NATO Infrastructure Program from fiscal year 1977 to 1985 appear in table III.11.

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Table III. 11: Appropriations for NATO Infrastructure FYs 1977 to 1985

Fiscal year	Appropriated (thousands)
1977	$ 80,000
1978	85,000
1979	166,300
1980	184,900
1981	250,000
1982	345,000
1983	325,000
1984	50,000
1985	107,200
Total	$1,593,400

Notes: 1. As of June 1985.

2. Effective with the 1979 legislation, NATO Infrastructure was transferred from the U.S. Army Military Construction Program to the Defense agencies Military Construction Program. In 1982, legislation established a new Title 5 under military construction for infrastructure.

Source: DOD's NATO Infrastructure Program: A Commonly Financed Military Construction Program.

ANTITERRORISM ASSISTANCE PROGRAM

Under the Antiterrorism Act of 1983, Congress authorized the President to establish the Antiterrorism Assistance Program to further the U.S. policy of combatting terrorism. The Department of State Office for Counterterrorism and Emergency Planning is responsible for strengthening the capability and determination of like-minded governments to combat terrorism, both alone and in cooperation with the United States and other governments.

The antiterrorism program focuses on training selected personnel from appropriate civilian agencies of each country approved for participation. The goal is to improve their technical skills and teach techniques in dealing with potentially sensitive and dangerous problems, such as hostage negotiations and rescue, bomb disposal techniques, and aircraft security.

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Operations in calendar year 1984 involved contacts with over 50 governments and resulted in active exchange and training programs with 15 governments. The program has followed a threefold approach:

Phase I -Participants attend a seminar at the headquarters and training facilities of the United States.

Phase II -U.S. training delegations visit participating countries.

Phase III -Training and/or professional exchange within the United States.

For fiscal year 1984, Congress appropriated $2.5 million, but only $971,244 was obligated; the balance was returned to the Treasury. In fiscal year 1985, Congress appropriated $5 million. It is expected that 35 countries will receive training in 1985.

As of March 1985, 17 countries have participated in the seminar: Costa Rica, Liberia, Ecuador, Jamaica, Egypt, Antigua, Dominica, St. Kitts, St. Lucia, St. Vincent, Grenada, Thailand, Turkey, Portugal, Italy, Cameroon, and Tunisia. Four have firmly committed themselves to attend the seminar in 1985: United Kingdom, Belgium, United Arab Emirates, and Denmark.

During 1984, the training delegations visited the governments of the following countries: Costa Rica, Jamaica, Egypt, Antigua, Dominica, St. Kitts, St. Lucia, and St. Vincent.

The actual training program was developed in accordance with arrangements discussed during countries' visits. Costa Rica was the first country to complete the training in December 1984.

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FINANCIAL ARRANGEMENTS USED IN THE SALE OF MILITARY EQUIPMENT

Financial incentives and arrangements have been established to enhance the sale of military hardware to foreign countries or to allow countries to continue buying from U.S. sources. These include FMS waivers for nonrecurring charges, "cash flow" method of financing, dependable undertakings, and Export-Import Bank loans.

FMS WAIVERS

The Arms Export Control Act mandates that unless a waiver is issued, DOD must charge customers for development and administrative costs associated with producing and selling military hardware. Further, DOD policy requires DSAA to charge royalty fees for foreign production based on U.S. technical data packages.

Recoupment of administrative surcharges, royalty fees, and nonrecurring costs can be waived by DSAA within specific parameters when it is considered in the best interest of the United States. For example, section 21(e)(2) of the Arms Export Control Act authorizes a waiver of the recoupment of nonrecurring research and development costs when the sale would significantly advance the U.S. government in NATO standardization or standardization with the Armed Forces of Japan, Australia, or New Zealand, or would provide procurement in the United States under coproduction agreements. Further, section 27 of the Arms Export Control Act states that the President may reduce or waive the charges for cooperative projects under which NATO, or one or more countries thereof, agrees to share with the United States the cost of research and development, testing, and evaluation in order to further the objectives of rationalization, standardization, and interoperability of the NATO.

Value of waivers issued since fiscal year 1977

DSAA estimated about $1.7 billion in charges and fees had been waived for nonrecurring research and development charges and technical data package royalty fees between fiscal years 1977 and 1984. The number and value of waivers approved vary from year to year depending on the type, quantity, and cost of equipment purchased by foreign countries. According to DSAA, waivers are negotiated to encourage equipment standardization and reciprocity.

We are currently reviewing DSAA's waivers of charges associated with nonrecurring research, development, test, and evaluation costs and production costs.

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According to DSAA, the tables below identify the countries and estimated value of waived royalty fees on technical data packages and the waived charges for nonrecurring research and development costs. Based on our ongoing work on waivers, there are indications this listing may be incomplete.

Table IV.1: Estimated Values of Waived Royalty Fees for Technical Data Packages FY 1977 to March 31, 1985

Country	FY 1977 to FY 1981	FY 1982	FY 1983	FY 1984[a]	FY 1977 to FY 1984	FY 1985 to Mar. 31, 1985
	(thousands)					
Canada	$ 4,485	$ -	-	$ -	$ 4,485	$ -
Denmark	-	1	-	-	1	-
Egypt	1,772	-	-	-	1,772	-
Germany	4,750	-	-	-	4,750	-
Greece	236	1,600	-	-	1,836	-
Italy	185	6	-	-	191	-
Korea	289	-	-	2,943	3,232	2,194
Pakistan	11	-	-	-	11	-
Spain	63	-	-	-	63	-
Turkey	- [b]	-	-	171	171[b]	-
Total	$11,791	$1,607	-	$3,114	$16,512	$2,194

[a]Additional royalty fees waived for the NATO Maintenance and Supply Agency for member countries.

[b]Value not identified when the waiver was issued.

Source: DSAA.

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Table IV.2: Estimated Values of Waived Charges for Nonrecurring Research and Development Costs FY 1977 to July 15, 1985

Country/ international organizations	FY 1977 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	FY 1985 to July 15, 1985
	(thousands)						
Total	$582,331	$188,728	$631,128	$210,804	$87,314	$1,700,305	$263,444
Country							
Australia	0	878	45,975	4,207	4,841	55,901	188
Belgium	0	352	-	28,160	95	28,607	-
Canada	664	74,377	-	251	71	75,363	-
Denmark	661	-	1,626	-	54	2,341	-
Egypt	3,600	-	-	-	-	3,600	-
France	688	600	-	23,463	246	24,997	-
Germany	7,379	1,843	900	52,819	530	63,471	130,000
Greece	3,986	-	35	2,382	95	6,498	-
Italy	1,533	-	-	11,433	299	13,265	-
Luxembourg	12	-	-	-	-	12	-
Netherlands	16,018	6,282	2,297	-	29,515	54,112	-
New Zealand	0	-	30	-	-	30	-
Norway	0	13,844	530	-	2,277	16,651	-
Portugal	0	-	93	376	66	535	-
Spain	0	-	-	42,173	-	42,173	587
Turkey	4,182	3,815	3,943	9,673	7,137	28,750	132,669
United Kingdom	33,496	86,737	575,699	35,867	42,088	773,887	-
International organizations							
NATO (Consortium)	495,212	-	-	-	-	495,212	-
European Participating Governments (F-16)[a]	14,900	-	-	-	-	14,900	-

[a]Refers to intermediate shop sets. European Participating Government F-16 aircraft waivers are included in each recipient country.

Source: DSAA.

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"CASH FLOW" METHOD OF FINANCING

Under the normal credit program authorized for most FMS customers, orders must not exceed the amount of authorized credit. Under the so-called "cash flow" method of financing, more orders can be placed sooner than would ordinarily be possible under a normal credit system, thereby stretching buying power.

The cash flow financing system as compared to the normal full funding FMS program works as follows. When a weapon system is purchased, a Letter of Offer and Acceptance is signed by the buyer spelling out the equipment delivery and the payment schedule. While the total cost of an item may be hundreds of millions of dollars, not all the money will be paid in the first year after the contract is signed. Major systems have a long lead time before delivery, usually several years, and payments will be spread out over this time period. Under normal FMS financing procedures with most countries, the United States requires that the buyer reserve, or set aside, the full cost of the item when the order is placed. This means that if an item costs $100 million, FMS credits of $100 million must be set aside when the Letter of Offer and Acceptance is signed. Under the cash flow system, only the amount of money needed to meet the current fiscal year's cash requirement and to cover potential termination liability is set aside. That same $100 million item, for example, may only require $50 million the first year. So only $50 million is set aside, and the other $50 million is available to place additional orders up to the limit of its cash requirement during that year.

According to a Defense Security Assistance Agency official, Israel and Egypt are using the cash flow method of financing. We reported on the use of cash flow financing for Egypt in 1982.[1] Under this system, the United States allowed Egypt to order $3.5 billion of military equipment in the first 3 years of the program (1979 through fiscal year 1981), even though $2.05 billion in credits had been allocated for Egypt. We reported on the use of cash flow financing for Israel in 1983.[2] Israel used cash flow financing during fiscal years 1976 through 1980 to pay for the procurement of its initial F-16 aircraft.

In our 1982 report on Egypt, we recommended that the Congress enact legislation requiring the executive branch to provide advance notification for cash flow financing commitments. Subsequently, section 112 of the International

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[1] Forging a New Defense Relationship with Egypt (ID-82-15, Feb. 5, 1982).

[2] U.S. Assistance to the State of Israel (GAO/ID-83-51, June 24, 1983)

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Security and Development Cooperation Act of 1985 was enacted to require that Congress be notified when cash flow financing for any country exceeds $100 million in a fiscal year.

The following table shows the existing Egyptian and Israeli cash flow financing obligations, as of July 1985, resulting from signed Letters of Offer and Acceptance.

Table IV.3: DOD Forecast of Egyptian and Israeli Obligations Resulting from Existing "Cash Flow" Financing Arrangements[a] FYs 1986 to 1990

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1986 to FY 1990
	(thousands)					
Egypt	$ 740,000	$ 660,000	$180,000	$ 60,000	$ 2,000	$1,642,000
Israel	1,400,000	1,100,000	750,000	248,000	176,000	3,674,000
Total	$2,140,000	$1,760,000	$930,000	$308,000	$178,000	$5,316,000

[a]Prior fiscal years not readily available.

Source: DSAA.

DEPENDABLE UNDERTAKINGS

Section 22 of the Arms Export Control Act authorizes "dependable undertakings" in sales of defense equipment to eligible foreign governments and international organizations. Dependable undertakings, which are generally used with new procurement contracts, require the foreign government or international organization to make periodic specified payments at such times as required. The U.S. government collects the cash in advance and makes payments to the contractor on behalf of the foreign country. This contrasts with sales from DOD stock which require the full costs of the equipment to be paid in advance. According to DOD officials, a termination liability account is set up for each case, which shields the United States against any damages or costs that may accrue from cancellation of the contract.

A critical element to dependable undertakings is DOD's determination that the buyer will have the economic resources to fulfill its commitment. When a determination is made, it is implied that the foreign country will be able to make its payments on schedule.

As of January 1985, 78 countries and 1 international organization were authorized dependable undertakings. (See tables below for a listing of countries and the extent of dependable untertakings since 1977.)

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APPENDIX IV

Table IV.4: Countries and International Organizations Authorized Direct Arrangements for Dependable Undertakings
As of January 1985

Countries

East Asia and Pacific

- Australia
- Brunei
- Indonesia
- Japan
- Korea
- Malaysia
- New Zealand
- Philippines
- Singapore
- Taiwan
- Thailand

Near East and South Asia

- Bahrain
- Bangladesh
- Egypt
- India
- Israel
- Jordan
- Kuwait
- Lebanon
- Nepal
- Pakistan
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates
- Yemen Arab Republic

Europe and Canada

- Austria
- Belgium
- Canada
- Denmark
- France
- Germany (FRG)
- Greece
- Iceland
- Ireland
- Italy
- Luxembourg
- Malta
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom
- Yugoslavia

Africa

- Botswana
- Cameroon
- Kenya
- Liberia
- Morocco
- Nigeria
- Sudan
- Tunisia

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Table IV.4: Countries and International Organizations Authorized Direct Arrangements for Dependable Undertakings As of January 1985 (continued)

American Republics

Argentina
Bahamas
Barbados
Brazil
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Jamaica
Mexico
Panama
Peru
St. Lucia
St. Vincent
Surinam
Trinidad and Tobago
Uruguay
Venezuela

International organizations

NATO and its agencies

Source: DOD/DSAA's Security Assistance Management Manual.

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Table IV.5: Dependable Undertakings
FY 1977 to July 24, 1985

	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	FY 1985 to July 24, 1985
	thousands									
Total	$1,629,450	$6,015,751	$6,511,246	$6,035,331	$3,294,627	$9,337,694	$5,456,545	$5,004,407	$3,285,051	$7,265,123
Argentina	5,383	4,514	-	-	-	-	-	-	9,897	1,560
Australia	59,042	323,730	107,616	395,059	307,624	2,882,644	67,326	135,525	4,278,566	168,835
Austria	3,765	1,827	44,596	12,667	2,801	4,521	4,496	5,129	79,802	2,625
Bahrain	-	-	-	5,362	-	4,769	4,261	-	14,392	123,622
Bangladesh	-	-	-	-	-	-	25	-	25	1,255
Belgium	695	17,320	7,702	7,729	19,543	9,903	5,112	5,131	73,135	1,679
Bolivia	11	-	38	-	-	-	-	-	49	-
Brazil	1,826	7,181	-	1,650	975	4,097	3,918	1,888	21,535	4,565
Brunei	-	-	-	-	-	111	-	-	111	-
Burma	*	-	206	15	-	1,075	-	1,135	2,431	-
Canada	31,810	48,561	52,901	88,052	76,560	49,419	55,499	282,985	685,787	231,431
Colombia	-	165	-	2,078	3,144	1,311	2,536	-	9,234	37
Denmark	6,268	9,838	15,554	7,622	31,063	4,890	34,587	48,884	158,706	31,635
Dominican Republic	-	-	-	-	-	-	-	-	-	100
Ecuador	6,512	3,714	8,544	1,892	415	206	1,791	5,192	28,266	271
Egypt	-	152,770	971	-	1	3,455	-	586	157,783	13,180
Fiji	-	-	-	-	203	-	-	-	203	44
Finland	-	1	-	-	2	-	6,601	1,253	7,857	-
France	760	2,149	2,436	48,144	7,443	30,101	113,662	78,941	283,636	3,052
Germany	134,882	214,656	333,469	146,718	48,391	113,471	58,329	91,388	1,141,304	1,206,601
Greece	37,292	52,559	50,564	34,712	62,619	39,808	59,198	66,650	403,402	53,512
Guatemala	416	1,035	1,107	-	-	-	-	1,196	3,754	-
Honduras	-	1	30	2	268	-	-	-	301	-
India	-	250	-	59	490	3	-	-	802	-
Indonesia	687	143	4,696	631	754	2,079	1,517	4,353	14,860	24
Iran	62,824	84,381	2	-	-	-	-	-	147,207	-
Ireland	-	-	-	-	-	1	-	-	1	-
Israel	-	41,351	31,201	15,171	29,086	33,982	45,286	22,125	218,202	34,060
Italy	11,634	2,838	1,093	7,537	175,273	52,558	11,018	15,213	277,164	50,027

APPENDIX IV

Table IV.5: Dependable Undertakings
FY 1977 to July 24, 1985
(continued)

	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	FY 1985 to July 24, 1985
	(thousands)									
Japan	$27,944	$264,585	$435,232	$316,733	$502,838	$273,680	$231,627	$102,823	$2,155,462	$87,811
Jordan	81,630	37,849	27,364	54,358	212,240	21,850	4,550	6,160	446,001	10,218
Kenya	72	1,694	1,405	2,195	816	356	-	-	6,538	-
Korea	59,816	116,162	105,782	114,997	114,479	119,568	224,349	139,182	994,335	138,167
Kuwait	2,683	49,355	2,607	93,002	7,470	71,362	44,248	25,117	295,844	52,952
Lebanon	-	41	-	8,888	25,664	-	144,576	17,007	196,176	464
Luxembourg	-	-	-	-	-	649	208	132	989	-
Malaysia	3,850	488	6,013	2,175	6,795	-	501	1,366	21,188	2,042
Mexico	9	-	79	-	107,713	-	100	1,011	108,912	366
Morocco	3,422	5,678	827	212,669	7,260	2,900	41,725	4,000	278,481	-
Netherlands	17,711	54,583	432,183	147,613	85,656	77,956	83,844	306,763	1,206,309	33,983
New Zealand	4,092	5,164	8,057	9,199	13,599	13,775	12,868	12,481	79,235	11,791
Nigeria	-	-	8	-	-	-	-	-	8	-
Norway	5,272	8,020	17,509	7,219	13,497	20,914	68,772	14,714	155,917	21,912
Oman	542	-	-	13	2,295	466	1,116	1,016	5,448	550
Pakistan	110,411	22,178	9,357	13,867	33,372	234,773	67,069	40,944	531,971	80,995
Panama	19	-	-	-	-	48	-	310	377	-
Papua New Guinea	-	-	-	-	-	-	-	96	96	-
Paraguay	197	-	-	-	-	-	-	-	197	-
Peru	2,542	131	943	96	906	3	60	263	4,944	-
Philippines	39,623	4,384	3,070	3,471	1,728	4,190	717	414	57,597	4,112
Portugal	7	11	-	34,253	4,243	26,102	117,271	15,608	197,495	9,160
Saudi Arabia	505,082	3,574,391	3,447,972	3,358,489	312,966	4,047,906	1,001,980	2,504,629	18,753,415	3,281,761
Singapore	100,421	4,397	530	97,936	27,638	27,433	389,456	3,233	651,044	321,884
Somalia	-	-	-	-	-	-	-	605	605	200
Spain	28,550	11,492	5,480	24,168	28,898	8,654	29,442	20,062	156,746	35,470

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Table IV.5: Dependable Undertakings FY 1977 to July 24, 1985 (continued)

	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	FY 1985 to July 24, 1985
	(thousands)									
Sudan	$ 3,298	$ -	$ -	$ -	$ 29	$ -	$ 3,241	$ 1,009	$ 7,577	$ -
Sweden	20,313	3,097	323	6,394	15,382	3,247	*	76,588	125,344	8,742
Switzerland	70,207	34,888	45,079	96,338	288,581	36	24,270	825	560,224	5,651
Taiwan	81,298	271,672	444,392	325,611	171,046	291,178	361,528	569,461	2,516,186	241,800
Thailand	11,171	36,977	167,800	93,448	97,537	65,514	74,493	45,942	592,882	374,338
Tunisia	-	387	840	540	5,279	2,256	1,361	4,380	15,043	333
Turkey	250	17,470	26,329	10,877	77,648	61,322	71,871	97,562	363,329	197,240
United Arab Emirates	-	-	-	-	-	-	596,461	-	596,461	68,777
United Kingdom	65,304	362,425	128,185	209,044	137,248	73,817	219,137	189,463	1,384,623	151,082
Uruguay	25	10	-	-	-	496	416	185	1,132	2,156
Venezuela	202	412	1,362	1,342	63,776	594,803	357	4,991	667,245	4,000
Yemen (Sanaa)	1,744	1,190	89,057	-	11,577	381	246	-	104,195	95
Yugoslavia	-	727	5	-	9,042	31,840	-	-	41,614	-
Zaire	-	950	-	-	-	-	-	401	1,351	-
Total	1,611,514	5,859,792	6,070,516	6,020,035	3,153,873	9,315,879	4,293,022	4,976,317	41,300,948	7,076,167
F-16 Conversion Program										
Belgium	-	-	-	-	-	-	915,714	-	915,714	-
Denmark	-	-	-	-	-	-	-	-	-	157,039
NAMMA	-	-	-	-	525	44	65	-	634	-
NAMSA-F-104	-	1	56	-	-	-	-	-	57	51
NAMSA-GENERAL	7,156	137,943	30,272	10,561	10,383	4,423	5,183	10,137	216,058	310
NAMSA-HAWK	710	900	1,000	3,000	3,620	3,993	3,361	5,578	22,162	3,523
NAPMO	-	-	408,968	-	-	-	-	-	408,968	-
NATO	8,003	539	-	382	82,493	134	979	1,275	93,805	1,062
NATO AEW&C Operations and Support	-	-	-	-	30,100	7,400	5,940	4,519	47,959	20,156

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Table IV.5: Dependable Undertakings FY 1977 to July 24, 1985 (continued)

	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984	FY 1985 to July 24, 1985
	thousands									
NATO Headquarters	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 175	$ 175	$ -
NATO SEA SPARROW	-	16,575	-	1,353	13,633	5,771	227,979	3,165	268,476	-
NICSMA	-	-	-	-	-	-	-	-	-	3,192
OAS	-	-	423	-	-	-	-	-	423	-
SHAPE	2,067	1	11	-	-	50	4,302	3,241	9,672	3,623
Total	$17,936	$155,959	$440,730	$15,296	$140,754	$21,815	$1,163,523	$28,090	$1,984,103	$188,956

Note: * denotes less than $500.

Source: DSAA.

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APPENDIX IV

EXPORT-IMPORT BANK MILITARY LOANS HAVE BEEN REPAID

The Export-Import Bank of the United States was created in 1934 to provide financing support to aid U.S. export sales. It provides loans, loan guarantees, and insurance programs to supplement and facilitate private sector financing. The bank is prohibited by law (section 32 of the Arms Export Control Act) from financing military sales to developing countries. The bank, however, does support sales of defense-related or "dual-use" items (that is, items which have a commercial as well as defense application).

In 1984 we reported[3] that it was bank policy not to finance military products for developing or developed countries. According to a bank official, the bank had not financed a military loan since the early 1970's, and the special loans and guarantees for military sales extended during that period have now been repaid.

Requests for bank financing of dual-use equipment are handled on a case-by-case basis, taking into account such factors as the nature of the product, relationship between the foreign buyer and its government, type of business in which the buyer is engaged, stated end use of the product, and adaptability of the product to military uses and likelihood that it will be so adapted.

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[3]Eximbank Financing Support for Exports of Defense-Related Products (GAO/NSIAD-84-66, Apr. 13, 1984)

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ACTIVITIES WHICH SUPPORT OTHER COUNTRIES

This appendix covers activities which increase U.S. sales of military hardware and support the defense industrial capabilities and economies of foreign countries. Specifically, this appendix addresses coproduction under government auspices, other procurement offset arrangements, and use of FMS loans to purchase foreign products. Government-sponsored coproduction and offset arrangements, and coproduction and licensed production using FMS loans require congressional notification under various sections of the Arms Export Control Act. These activities are not usually defined as direct assistance even though they help develop economies and defense industries of foreign countries.

On April 17, 1984, Congress enacted Public Law 98-265, to amend the Defense Production Act of 1950 (50 U.S.C. App. 2091 et. seq.). Section 309, which was added to the act, requires annual reporting on the extent and impact of various offset arrangements on defense preparedness, industrial competitiveness, employment, and trade of the United States. This report is due October 17, 1985.

COPRODUCTION UNDER U.S. GOVERNMENT AUSPICES

The United States is involved in extensive coproduction arrangements with a variety of countries. Some are allies and industrialized countries while others are developing countries that want to establish an indigenous defense industrial sector.

The coproduction projects identified in this section include programs under the aegis of the U.S. government, implemented either by government-to-government arrangements or through specific licensing arrangements by designated commercial firms. These arrangements enable an eligible government, international organization, or designated commercial producer to acquire the technical information and "know-how" to manufacture or assemble in whole or in part an item of U.S. defense equipment for foreign defense forces. It includes projects which have resulted from government-to-government discussions or negotiations, whether recorded in FMS Letters of Offer and Acceptance, Memoranda of Understanding, or other similar international agreements. It does not include projects which have been proposed by U.S. industry for commercial reasons, and in which the government is involved only to the extent of providing approvals required under section 38 of the Arms Export Control Act and the International Traffic in Arms Regulation.

The following table presents DSAA's estimated values for coproduction arrangements between the United States and foreign governments since fiscal year 1977.

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Table V.1: Estimated Values of Coproduction Arrangements[a] FY 1977 to March 30, 1985[b]

Country	FY 1977 to FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1977 to FY 1984
	(millions)						
Australia	$ 106.0	$ -	$2,700.0	$ -	$ -	$-	$ 2,806.0
Austria	198.0	-	-	-	-	-	198.0
Belgium	66.0	-	-	-	-	-	66.0
Germany (FRG)	2,863.0	568.0	-	-	852.0	-	4,283.0
Greece	58.4	110.0	30.5	-	-	-	198.9
Israel	.6	.3	13.1	.3	-	-	14.3
Italy	39.3	32.0	-	-	-	-	71.3
Japan	2,820,0	-	-	4,925.0	-	-	7,745.0
Korea	688.0	-	-	-	217.0	*	905.0
Netherlands	63.7	-	-	-	86.0	-	149.7
Philippines	1.9	.9	.9	.9	-	-	4.6
Singapore	3.6	-	-	-	-	-	3.6
Spain	-	60.0	-	-	-	518.0	578.0
Switzerland	638.8	34.0	320.3	-	-	-	993.1
Taiwan	667.4	-	-	-	*	-	667.4
Turkey[b]	.3	-	-	-	-	-	.3
United Kingdom	50.0	-	1,500.0	-	*	-	1,550.0
Total	$8,265.0	$805.2	$4,564.8	$4,926.2	$1,155.0	$518.0	$20,234.2

[a]Not all coproduction agreements are included. Although some arrangements with Canada, Norway, and Thailand have been authorized, the estimated values of the agreements have not been determined.

[b]During October 1, 1984 to March 30, 1985, one coproduction, valued at $10,188 was arranged with Turkey.

Note: * denotes less than $60,000.

Source: DSAA.

OTHER OFFSET ARRANGEMENTS

Generally, the term "offset" includes any arrangements wherein, as a condition of sale, U.S. industry shares production of a system or purchases items from sources within a foreign country to offset an established percentage of the cost of that procurement. Offsets may also include overseas investment, technology transfers, and countertrade.

Since 1978, DOD's stated policy on offset arrangements, other than the coproduction arrangements discussed in the prior section, has been not to enter into such arrangements unless there is no feasible alternative to successfully complete transactions of significant importance to U.S. national security

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interests. DOD generally considers it an industry decision to arrange for offsets. These private offset agreements may be between U.S. companies and foreign companies, entities, or governments. According to DOD, they have the effect of committing the U.S. company to place orders or subcontracts in foreign countries as a condition for the sale of U.S. defense articles to those countries.

In an April 1984 report entitled Trade Offsets in Foreign Military Sales (GAO/NSIAD-84-102), we discussed the increased use and possible consequences of offsets in FMS. We reported that no comprehensive national policy exists to guide federal officials or industry representatives in offset transactions; that no single federal agency has taken the lead to ensure that the various U.S. interests are served when a U.S. firm makes an offset commitment with a foreign government; and that no central data base exists on offset commitments and complete and accurate data on offsets are not otherwise readily available.

According to DOD's 1983 Coproduction Study, about $30 billion in potential arms sales during the period 1983-88 would involve offsets. Revised data may be forthcoming when the administration's study, mandated by the Defense Production Act, as amended, is issued. While precise estimates are not available on the extent of offsets, it is clear that countries--both industrialized as well as developing--are increasingly requiring offsets, or some type of industrial participation, as a prerequisite for purchasing major defense equipment from other countries.

Many foreign purchasers have policies or legislation requiring offsets on military purchases. For example, Norway has a strong national policy requiring 100 percent offsets in the purchase of military hardware. To promote self-sufficiency in meeting its defense requirements and enhancing other sectors, Spain has a law requiring offsets in procuring foreign military equipment. The purpose of the law is to ensure that military purchases will be used to secure commercial and industrial reciprocal arrangements and to acquire new technology which will enable Spain to take part in joint projects to supply third countries. Australia has an offset requirement policy of at least 30 percent and is considering increasing the policy to 40 percent. Trying to enforce their policies, some countries currently incorporate penalty clauses in contracts with U.S. companies in the event that their offset commitments are not met. Also being considered is the idea that companies which have not fulfilled previous offset agreements will not be eligible for new contracts. Additionally, the Israeli government has a policy of requesting U.S. suppliers to offset or "buy back" from Israel goods or services equal to 25 percent of Israeli purchases of $1 million or more.

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Some of the countries requesting and receiving offsets, such as Egypt, Greece, Israel, Korea, Spain, and Turkey, are also FMS credit or grant recipients under the security assistance program. A major concern over allowing offsets in transactions financed with FMS assistance is the immediate and longer term impact this may have on the U.S. industrial base and employment. In our 1984 report on offsets, we took the position which coincides with DOD's stated policy that offsets should generally not be used when FMS credits are involved.

PURCHASING FOREIGN PRODUCTS WITH FMS LOAN FUNDS

Using FMS funds to procure defense items and services outside the United States is prohibited unless a determination to permit offshore procurement is issued under section 42(c) of the Arms Export Control Act. The Director, DSAA, must make a determination that procurement of defense articles and services outside the United States will not result in adverse effects on the U.S. economy or the industrial mobilization base. Before a determination is needed, DOD allows up to 49 percent foreign content in weapon sales financed by FMS credits.

According to a DSAA official, 14 determinations have been made under section 42(c) between January 1, 1982 and June 30, 1985. It is estimated that the 14 determinations are valued at almost $346 million in FMS funds. The 14 determinations are shown in table V.2. As shown in this table, since 1982, the major offshore procurement authorized under section 42(c) involved Israeli Lavi aircraft, which is an indigenous fighter aircraft development program. In November 1983, Congress allowed Israel to spend "not less" than $250 million of U.S. military assistance loans and grants to buy defense goods and services for the Lavi within Israel from Israeli firms.

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Table V.2: Determinations Issued for Offshore Procurement January 1, 1982, to June 30, 1985

Country	Purchase	Dollar value --(thousands)--	Year
Total	14 determinations	$345,850	
El Salvador --	250 each 60 mm mortars manufactured in the Republic of Korea	675	1983
--	Construction	300	1984
--	Combat rations and associated food items manufactured by a corporation in El Salvador	675	1984
--	M101 105 mm howitzers	2,500	1985
Greece --	Test and maintenance facilities for the HARPOON RGM-84 missile and the Exchange of information concerning the HARPOON weapon system in service in the Royal Danish Navy, and the Federal Republic of Germany Navy from the government of the Netherlands (acting as the managing partner for the HARPOON Consortium)	1,800	1983
Israel --	Procurement by the U.S. Air Force from Israeli industry of alternate mission equipment using Israel's FMS credits (For the Peace Marble II F-16's)	12,000	1983
--	Procurement of up to $250 million of defense articles and services in Israel for the Lavi program	250,000	1983
--	4 classified determinations	36,100	1984

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Table V.2: Determinations Issued for Offshore Procurement January 1, 1982, to June 30, 1985 (continued)

Country		Purchase	Dollar value --(thousands)--	Year
	--	Procurement of alternate mission equipment from Israeli military industries	$35,600	1985
Philippines	--	Fabrique Nationale twin machine gun pods 7.62 mm, heavy machine gun pods 12.7 mm, and associated Fabrique Nationale material, spares, training, and ammunition in connection with the acquisition of S-76 Sikorsky helicopters	4,000	1984
Somalia	--	Classified	2,200	1982

Source: DSAA.

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APPENDIX VI

COMMERCIAL EXPORTS AND LISTING OF TOP MILITARY EQUIPMENT MANUFACTURERS

This appendix lists the commercial exports licensed under the Arms Export Control Act as well as the top 25 companies supplying military equipment under FMS sales for 1985.

Section 38 of the Arms Export Control Act authorizes the President to control the import and export of defense items and services, to identify them as such for purposes of the act, and to promulgate regulations for their import and export. Commercial exports of military equipment are regulated by a U.S. government licensing process prescribed in the International Traffic in Arms Regulations. The Department of State's Office of Munitions Control licenses the commercial sales. All applications for export licenses are reviewed to ensure that the proposed transactions are consistent with U.S. foreign policy and security objectives.

According to DOD, estimates of commercial exports of military equipment are more difficult to make than foreign military sales that are planned by the U.S. government because the issuance of a license does not necessarily mean an item was exported. The U.S. Customs officials validate each shipment, maintain records of unshipped balances, and return to the Office of Munitions Control the shipper's export declaration for each shipment. Licenses are also returned to the Office of Munitions Control upon expiration (2 years) or completion of authorized shipments.

Table VI.1 lists commercial exports licensed under the Arms Export Control Act.

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APPENDIX VI

Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Total	$10,415,697	$2,198,311	$1,791,248	$2,353,804	$1,646,261	$18,405,321	$3,020,466
East Asia and Pacific							
Australia	182,426	35,244	40,000	40,000	75,979	373,649	44,440
Brunei	2,556	569	1,000	1,500	1,737	7,362	1,550
Burma	9,553	203	1,000	1,000	51	11,807	1,111
China	1,649	-	1,000	2,000	2,436	7,085	60,500
Fiji	4	-	-	-	-	4	-
French Polynesia	361	-	-	-	5	366	-
Hong Kong	52,360	19,234	30,000	20,000	13,307	134,901	22,200
Indonesia	40,528	6,673	10,000	10,000	9,086	76,287	11,110
Japan	1,081,822	344,862	300,000	400,000	226,036	2,352,720	440,000
Kampuchea	5	-	-	-	-	5	-
Kiribati (Gilbert Islands)	2	-	-	-	-	2	-
Korea	279,696	28,710	25,000	25,000	51,488	409,894	30,300
Laos	4	-	-	-	-	4	-
Macau	153	-	-	-	39	192	-
Malaysia	171,264	29,522	25,000	25,000	11,599	262,385	35,350
Nauru	217	-	-	-	-	217	-
New Caledonia	2,909	79	50	50	23	3,111	110
New Zealand	21,707	3,709	5,000	5,000	28,342	63,758	5,500
Norfolk Islands	*	-	-	-	-	*	-
Papua New Guinea	519	4	3	3	25	554	6
Philippines	52,558	967	1,000	10,000	268	64,793	1,100
Singapore	62,870	22,691	20,000	20,000	11,950	137,511	25,000
Solomon Islands	105	-	-	-	2	107	-
Taiwan	338,688	66,731	75,000	85,000	41,596	607,015	100,000
Thailand	58,512	13,526	10,000	10,000	17,479	109,517	25,000
Trust Territory of Pacific Islands	-	-	-	-	17	17	-
Tuvalu	-	-	-	-	4	4	-
Vanuatu (New Hebrides)	9	-	-	-	-	9	-
Vietnam	66	-	-	-	-	66	-
Western Samoa	2	-	-	-	-	2	-

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APPENDIX VI

Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985 (continued)

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Total	$2,360,545	$572,724	$544,053	$654,553	$491,469	$4,623,344	$803,277
Near East and South Asia							
Afghanistan	597	-	-	-	-	597	-
Algeria	1,869	243	200	-	1,514	3,826	50,000
Bahrain	2,229	1,171	1,000	1,000	1,458	6,858	2,500
Bangladesh	1,558	474	1,000	1,000	249	4,281	1,500
Egypt	16,334	4,052	15,000	30,000	23,849	89,235	35,000
India	44,245	4,643	5,000	5,000	18,208	77,096	6,500
Iran	670,766	-	-	-	-	670,766	-
Iraq	241	-	-	-	13	254	-
Israel	1,221,504	267,337	150,000	150,000	263,331	2,052,172	335,000
Jordan	71,039	41,653	50,000	50,000	12,715	225,407	56,000
Kuwait	11,913	1,307	5,000	5,000	1,061	24,281	5,500
Lebanon	11,273	1,050	1,500	1,500	1,204	16,527	2,500
Libya	31,318	-	-	-	-	31,318	-
Maldives	-	-	-	-	29	29	-
Morocco	65,404	3,143	5,000	5,000	8,473	87,020	5,500
Nepal	123	-	-	-	3	126	-
Oman	5,020	661	1,500	3,000	3,331	13,512	3,550
Pakistan	30,562	11,108	5,000	5,000	14,839	66,509	12,500
Qatar	5,209	1,002	2,000	2,000	3,638	13,849	2,500
Saudi Arabia	444,621	71,540	50,000	50,000	214,977	831,138	125,000
Sri Lanka	86	-	-	-	142	228	-
Syria	1,384	-	-	-	6	1,390	-
Tunisia	7,561	108	2,500	500	41,124	51,793	2,500
United Arab Emirates	13,824	3,937	2,000	5,000	4,042	28,803	5,500
Yemen	52	4	100	1,000	23	1,179	1,100
Total	2,658,732	413,433	296,800	315,000	614,229	4,298,194	652,650
Europe and Canada							
Andorra	-	-	-	-	*	-	-
Austria	24,419	2,260	5,000	5,000	776	37,455	6,000
Belgium	184,175	32,839	50,000	50,000	6,517	323,531	55,000
Bulgaria	1	-	-	-	-	1	-
Canada	891,200	363,850	150,000	400,000	6,022	1,811,072	200,000
Cyprus	278	-	-	-	20	298	-
Denmark	73,050	12,285	10,000	10,000	6,774	112,109	15,000
Finland	10,856	2,342	4,000	5,000	5,336	27,534	6,000
France	209,743	37,180	35,000	35,000	20,671	337,594	45,000

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Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985 (continued)

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Germany	$890,462	$209,489	$180,000	$200,000	$56,630	$1,536,581	$400,000
Gibraltar	25	-	10	10	-	45	10
Greece	269,450	16,332	10,000	10,000	38,876	344,658	20,000
Greenland	-	-	-	-	-	-	6
Iceland	703	14	10	20	40	787	20
Ireland	1,812	392	750	2,000	1,560	6,514	2,000
Italy	672,579	97,229	135,000	150,000	47,520	1,102,328	180,000
Liechtenstein	58	-	25	25	-	108	35
Luxembourg	11,021	416	1,000	2,000	1,438	15,875	2,500
Malta	34	-	5	2	164	205	5
Monaco	29	25	3	3	*	60	25
Netherlands	276,539	55,143	50,000	50,000	52,223	483,905	65,000
Norway	115,339	18,312	20,000	20,000	7,081	180,732	25,000
Portugal	15,564	3,340	3,000	5,000	1,456	28,360	6,000
Romania	2,559	95	1,000	50	1,146	4,850	110
San Marino	-	-	-	-	5	5	-
Spain	224,296	61,191	50,000	50,000	30,104	415,591	65,000
St. Pierre & Miquelon	*	-	-	-	2	2	-
Svalbard & Jan Mayen	-	-	-	-	95	95	-
Sweden	194,390	53,504	30,000	50,000	17,136	345,030	60,000
Switzerland	81,054	13,709	15,000	15,000	14,328	139,091	25,000
Turkey	46,184	2,707	10,000	10,000	5,152	74,043	15,150
Union of Soviet Socialist Republics	10	-	-	-	-	10	-
United Kingdom	483,497	163,380	125,000	225,000	124,702	1,121,579	230,350
Yugoslavia	13,361	1,231	3,000	5,000	9,737	32,329	6,000
Total	4,692,688	1,147,265	887,803	1,299,110	455,511	8,482,377	1,429,211
Africa							
Angola	46	-	-	-	-	46	-
Benin	*	-	-	-	-	*	-
Botswana	246	15	100	150	10	521	152
Burkina Faso (Upper Volta)	72	-	-	-	-	72	-
Burundi	69	-	-	-	24	93	-
Cameroon	12,075	9	2,000	2,000	185	16,269	2,200
Central African Republic	57	-	-	-	-	57	-

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Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985 (continued)

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Chad	$ 15	$ -	$ -	$ -	$ 79	$ 94	$ -
Djibouti	11	-	-	-	-	11	-
Equatorial Guinea	*	-	-	-	-	*	-
Ethiopia	1,521	-	-	-	-	1,521	-
Gabon	1,427	1	2,000	2,000	60	5,488	2,200
Gambia	265	-	-	-	7	272	-
Ghana	557	-	-	-	*	557	-
Guinea	9	-	-	-	-	9	-
Ivory Coast	591	-	-	-	34	625	-
Kenya	6,609	165	300	800	66	7,940	880
Lesotho	23	-	-	-	-	23	-
Liberia	1,321	486	500	800	3	3,110	880
Madagascar	574	-	-	-	-	574	-
Malawi	10	-	-	-	*	10	-
Mali	30	-	-	-	-	30	-
Mauritania	203	-	-	-	1	204	-
Mauritius	139	-	-	-	4	143	-
Mozambique	448	-	-	-	2	450	-
Niger	206	-	-	-	25	231	-
Nigeria	40,860	1,401	5,000	5,000	5,875	58,136	5,500
Reunion	1	-	-	-	-	1	-
Rwanda	*	-	-	-	2	2	-
Senegal	279	-	-	-	4	283	-
Seychelles	36	-	-	-	*	36	-
Sierra Leone	55	-	-	-	1	56	-
Somalia	*	-	-	-	1,811	1,811	-
South Africa	18,630	-	-	-	97	18,727	-
St. Helena	*	-	-	-	-	*	-
Sudan	112	-	-	-	16,542	16,654	-
Swaziland	113	-	-	-	-	113	-
Tanzania	2,951	23	50	100	2	3,126	150
Togo	118	-	-	-	*	118	-
Uganda	464	-	-	-	-	464	-
Zaire	5,634	45	100	500	*	6,279	150
Zambia	832	28	200	200	151	1,411	220
Zimbabwe	54	186	200	200	49	689	220
Total	96,663	2,359	10,450	11,750	25,034	146,256	12,552
American Republics							
Antigua	58	1	15	10	-	84	20
Argentina	90,407	4,553	5,000	5,000	2,967	107,927	5,500

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Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985 (continued)

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Bahamas	$ 231	$ 46	$ 150	$ 150	$ 29	$ 606	$ 200
Barbados	102	13	15	15	6	151	20
Belize	217	186	100	100	26	629	220
Bermuda	804	15	400	100	5	1,324	200
Bolivia	4,284	9	700	-	12	5,005	100
Brazil	83,310	9,901	10,000	20,000	10,076	133,287	22,000
British Virgin Islands	70	-	2	20	-	92	25
Cayman Islands	401	-	2	5	-	408	5
Chile	8,760	-	-	-	11	8,771	-
Colombia	19,398	2,705	5,000	5,000	3,155	35,258	5,500
Costa Rica	1,170	57	150	150	77	1,604	200
Dominica	20	-	-	-	-	20	-
Dominican Republic	2,598	101	1,000	1,000	1,113	5,812	1,500
Ecuador	21,889	1,410	1,000	2,000	3,885	30,184	2,500
El Salvador	2,220	17	300	200	1,115	3,852	6,000
Falkland Island	*	-	-	-	-	*	-
French Guiana	175	-	-	-	2,309	2,484	-
Greenland	17	4	6	5	-	32	-
Grenada	22	-	1	1	-	24	1
Guadeloupe	22	5	2	5	*	34	10
Guatemala	5,091	7	750	100	37	5,985	120
Guyana	194	707	20	500	5	1,426	600
Haiti	1,874	6	200	50	32	2,162	300
Honduras	4,652	923	500	500	2,712	9,287	1,100
Jamaica	888	443	200	500	66	2,097	550
Martinique	13	1	2	2	-	18	3
Mexico	12,976	3,603	2,200	5,000	1,075	24,854	6,000
Montserrat	9	-	-	-	-	9	-
Netherlands Antilles	1,208	6	10	300	204	1,728	400
Nicaragua	4,243	5	50	50	1	4,349	55
Panama	38,625	752	1,000	1,000	1,405	42,782	3,000
Paraguay	2,459	177	300	300	61	3,297	400
Peru	25,636	3,352	5,000	5,000	2,046	41,034	6,000
St. Christ-Nevis	3	-	-	-	-	3	-
St. Lucia	16	-	2	3	7	28	4
St. Vincent & Grenadines	5	-	-	-	1	6	-
Surinam	85	18	15	25	-	143	30
Trinidad & Tobago	796	138	500	500	623	2,557	500

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Table VI.1: Commercial Exports Licensed Under Arms Export Control Act FYs 1950 to 1985 (continued)

	FY 1950 to FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1950 to FY 1984	Estimated FY 1985
	(thousands)						
Turks & Caicos	$ 3	$ -	$ -	$ -	$ 55	$ 58	$ -
Uruguay	1,675	591	250	2,000	150	4,666	2,500
Venezuela	60,334	8,000	10,000	10,000	7,766	96,100	11,000
Total	396,960	37,752	44,842	59,591	41,032	580,177	76,563
International organizations	210,109	24,778	7,300	13,800	18,986	274,973	46,213

Notes: 1. * denotes less than $500.
2. Totals may not add due to rounding.

Sources: 1. DOD's Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts.
2. DOD's Congressional Presentation on Security Assistance Programs.

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TOP 25 CONTRACTORS SUPPLYING MILITARY EQUIPMENT UNDER FMS

The following tables show the top 25 contractors during fiscal years 1982 to 1984 providing military equipment and supplies, construction, or services under FMS agreements. The tables show actual contract awards and modifications during those years.

The lists identify parent companies--for example, Howard Hughes Medical Institute is the parent company of Hughes Aircraft. A number of contractors on the lists (for example, Sam Whan, Yow One Construction, Al Huseini, Kuk Dong Construction, OSHCO-PAE, and CRS Sirrine Metcalf Eddy) provide construction and other services in Saudi Arabia.

Table VI.2: List of Top 25 Contractors Supplying Military Equipment, Construction, or Services Under FMS, FY 1984

1984 Rank	Contractor	Total contract amount (thousands)
1	McDonnell Douglas Corp.	$ 992,608
2	General Dynamics Corp.	966,819
3	Boeing Company, Inc.	460,751
4	General Electric Co.	296,800
5	Raytheon Co.	262,379
6	Westinghouse Electric Corp.	239,983
7	Grumman Corp.	235,434
8	Lockheed Corp.	224,665
9	Sam Whan Corp.	219,925
10	Howard Hughes Medical Institute	175,682
11	United Technologies Corp.	170,920
12	FMC Corp.	167,642
13	Northrop Corp.	161,945
14	Yow One Construction Co.	114,251
15	Sperry Corp.	108,352
16	Rockwell Int. Corp.	91,368
17	LTV Corporation	90,598
18	Al Huseini	74,473
19	Singer Company	63,068
20	Kuk Dong Construction	56,832
21	OSHCO-PAE Ltd.	56,488
22	Litton Industries Inc.	51,574
23	CRS Sirrine Metcalf Eddy	50,425
24	Teledyne Inc.	50,419
25	Harsco Corp.	47,838
	Total	$5,431,239

Source: Developed from DOD's data base of Individual Contracting Action Reports Over $25,000

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Table VI.3: List of Top 25 Contractors Supplying Military Equipment, Construction, or Services Under FMS, FY 1983

1983 Rank	Contractor	Total contract amount (thousands)
1	Boeing Co. Inc.	$ 898,808
2	McDonnell Douglas Corp.	500,451
3	General Dynamics Corp.	450,092
4	United Technologies Corp.	321,367
5	HBH Co.	251,001
6	Sam Whan Corp.	239,923
7	Raytheon Co.	220,514
8	Westinghouse Electric Corp.	194,376
9	Northrop Corp.	180,628
10	Howard Hughes Medical Institute	171,889
11	Lockheed Corp.	170,714
12	FMC Corp.	165,413
13	General Electric Co.	164,028
14	Al Huseini	121,465
15	Grumman Corp.	110,566
16	Teledyne Inc.	90,785
17	LTV Corp.	85,377
18	Chin Heung Intl.	77,175
19	Singer Company Inc.	73,454
20	Kuk Dong Construction	62,577
21	Yow One Construction Co.	61,624
22	AT&T Co.	54,396
23	Sperry Corp.	51,652
24	General Motors	50,595
25	Hanil Development	49,852
	Total	$4,818,722

Source: Developed from DOD's data base of Individual Contracting Action Reports Over $25,000.

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Table VI.4: List of Top 25 Contractors Supplying Military Equipment, Construction, or Services Under FMS, FY 1982

1982 Rank	Contractor	Total contract amount (thousands)
1	McDonnell Douglas Corp.	$1,032,395
2	Northrop Corp.	894,090
3	General Dynamics Corp.	760,955
4	United Technologies Corp.	673,456
5	Boeing Company Inc.	394,586
6	Yow One Construction Co.	371,139
7	Lockheed Corp.	348,434
8	Howard Hughes Medical Institute	303,838
9	Mabco Prefabric	292,687
10	General Electric Co.	251,188
11	Hanil Development	225,769
12	Chin Heung Intl.	177,842
13	HBH Company	175,675
14	Hospital Corp.	174,681
15	Raytheon Co.	172,032
16	Science Application	154,042
17	Westinghouse Electric Corp.	146,652
18	Miryung Construction Co.	138,777
19	FMC Corp.	133,237
20	Hyundai Corp.	130,926
21	Sam Whan Corp.	129,902
22	Textron Inc.	128,326
23	Teledyne Inc.	110,921
24	Ret Ser Engineering Agency	100,694
25	Daelim Industrial Co. Ltd.	90,715
	Total	$7,512,959

Source: Developed from DOD's data base of Individual Contracting Action Reports Over $25,000.

TOP 25 CONTRACTORS SUPPLYING MILITARY EQUIPMENT UNDER COMMERCIAL EXPORT SALES

As you requested, we attempted to obtain similar ranking of the top 25 contractors commercially exporting military equipment under licenses granted by the Department of State. The Office of Munitions Control Deputy Director said that due to a computer system change, the information was no longer readily available (as it had been at the time of our earlier report) and would require extensive work to develop. Officials from the Office of Munitions Control declined our offers of systems analysis and

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programmer assistance, and said they would provide the information; however, we had not received the data by the time we completed our final report.

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GAO REPORTS CONCERNING SECURITY ASSISTANCE AND FOREIGN MILITARY SALES OCTOBER 1981 TO AUGUST 1985

--U.S. Military Aid to El Salvador and Honduras (GAO/C-NSIAD-85-7, Aug. 22, 1985)

--The U.S. Economic Assistance Program for Egypt Poses a Management Challenge for AID (GAO/NSIAD-85-109, July 31, 1985)

--U.S. Assistance to the Islamic Republic of Pakistan (GAO-C-NSIAD-85-10, July 18, 1985)

--Providing Effective Economic Assistance to El Salvador and Honduras: A Formidable Task (GAO/NSIAD-85-82, July 3, 1985)

--Equipment Used by Texas National Guard in Honduras (GAO/NSIAD-85-103, June 17, 1985)

--U.S. Assistance to Haiti: Progress Made, Challenges Remain (GAO/NSIAD-85-86, June 12, 1985)

--Use of Special Presidential Authorities for Foreign Assistance (GAO/NSIAD-85-79, May 20, 1985)

--Department of Defense Distinguished Visitors' Program Fund (GAO/NSIAD-85-63, Apr. 10, 1985)

--Design and Operation of Special Defense Acquisition Fund Can Be Improved (GAO/NSIAD-85-18, Jan. 15, 1985)

--U.S. Security Assistance and Defense Activities in Central America (GAO/C-NSIAD-85-2, Dec. 11, 1984)

--An Assessment of NATO's Long-Term Defense Program (GAO/C-NSIAD-84-26, Sept. 12, 1984)

--Requirement That U.S. Companies Recover U.S. Government Research and Development Costs from Foreign Customers (GAO/NSIAD-84-156, Sept. 6, 1984)

--U.S. Assistance to the Hashemite Kingdom of Jordan (GAO/C-NSIAD-84-24, July 13, 1984)

--U.S. Bases in the Philippines: Increasing Costs and Uncertain Future (GAO/C-NSIAD-84-22, July 11, 1984)

--A-10 Deployment to Korea May Require Additional Outlays of U.S. Funds (GAO/C-NSIAD-84-23, May 15, 1984)

--U.S. Role as Contracting Agent for the U.S.-Saudi Arabian Joint Commission on Economic Cooperation (GAO/NSIAD-84-48, May 14, 1984)

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--The Navy Should Assess Its Long-Term Undersea Test and Evaluation Needs (GAO/C-NSIAD-84-2, Apr. 23, 1984)

--Trade Offsets in Foreign Military Sales (GAO/NSIAD-84-102, Apr. 13, 1984)

--Eximbank Financing Support for Exports of Defense-Related Products (GAO/NSIAD-84-66, Apr. 13, 1984)

--Excess Navy Ships Sold to Foreign Countries at Understated Prices (GAO/NSIAD-84-7, Apr. 12, 1984)

--Reductions in U.S. Costs to Station Forces in the Federal Republic of Germany and the United Kingdom Are Unlikely (GAO/NSIAD-84-130, July 31, 1984, and GAO/C-NSIAD-84-7, Apr. 10, 1984)

--U.S. Military Activities in Central America (GAO/C-NSIAD-84-8, Mar. 6, 1984)

--Tuition Rates Charged Foreign Governments for Military Training Should Be Revised (GAO/NSIAD-84-61, Feb. 21, 1984)

--Greater Contributions by Japan and the Republic of Korea to Reduce U.S. Stationing Costs Are Unlikely (GAO/C-NSIAD-84-4, Feb. 2, 1984)

--Problems in Collecting Military Sales Payments From Saudi Arabia (GAO/C-NSIAD-84-16, Jan. 25, 1984)

--Improvements Needed in Pricing Overhaul and Repair Services Performed for Foreign Countries (GAO/AFMD-84-12, Dec. 12, 1983)

--The Navy Has No Apparent Need for Its Antigua Facility (GAO/C-NSIAD-84-1, Nov. 9, 1983)

--Economic Support Fund Assistance to the Philippines (GAO/NSIAD-84-44, Jan. 27, 1984, and GAO/C-NSIAD-84-5, Oct. 21, 1983)

--Potential Impact of Expanding Coverage of the 1982 Amendment to the Arms Export Control Act (GAO/NSIAD-83-53, Sept. 30, 1983)

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--Millions in Losses Continue on Defense Stock Fund Sales to Foreign Customers (GAO/AFMD-81-625, May 18, 1983)

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